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Analysis of 1982 Bank Marketing Expenditures

1983 Research Report
Advertising Department

309 West Washington Street • Chicago, Illinois 60606

BANK MARKETING ASSOCIATION

TO FINANCIAL MARKETERS:

BMA is pleased to make available this new study — the "Analysis of 1982 Bank Marketing Expenditures." This compilation of statistics on how banks spend their marketing budgets is the only one of its kind in our industry.

The study is based on a sampling of the entire U.S. commercial banking industry. The result is an analysis of total industry marketing expenditures rather than BMA member banks exclusively.

In these times of deregulation, increasing competition and rapidly changing markets, the study should be helpful to readers in learning more about the budgeting process and how to address their competition.

Our special thanks go to the more than 1200 banks which took the time and effort to complete our lengthy questionnaire. Without their participation, the study would not have been possible.

Cordially,

Ray Cheseldine

Raymond M. Cheseldine
Executive Vice President

BANK MARKETING ASSOCIATION
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HOW THE SURVEY WAS CONDUCTED

This book contains more than 1,500 individual statistics on how banks in the United States spend their marketing budget to sell various banking services. The survey which was used to gather the data and the subsequent presentation of the tables and graphs here were designed to help bankers learn more about the bank marketing budgeting process.

This book is not designed to show how much your individual bank should spend on marketing or specific media. In fact, as you become familiar with the tables you will see that there is quite a diversity in the statistics based on the various factors considered in the survey — not just asset size, but also the size of the market and the type of market.

Nevertheless, you will see definable trends from these statistics that will help you confirm your beliefs about your own and competing banks' expenditures or perhaps help you develop new processes which can refine and improve your own marketing budget.

The book also presents an overview of the budgeting process itself and how it relates to the bank's central marketing plan and discusses common approaches to budgeting with some of the advantages and shortcomings of each.

This study differs from prior years' BMA budget studies in several regards: The questionnaire was designed to accumulate more specific data on where banks spent their budget (advertising, public relations, sales promotion, training and marketing research) with less emphasis on which services were promoted (checking, savings, etc.).

There also are a number of other technical changes in asset ranges, population sizes and other aspects of the questionnaire. For these reasons, we discourage direct comparisons of the data here with the last study conducted by BMA of 1979 marketing budgets.

This study also includes a new section on which banks use advertising agencies and how they compensate them.

A four-page questionnaire/cover letter was mailed to 7,857 banks nationwide. Banks were chosen by random 'nth' name selection among two asset groups: Those under $50 million in assets (6,330) and those over $50 million in assets (1,527). The distinction in asset sizes samples was to compensate for lower response rates among community banks experienced in previous surveys.

A "Second Request" mailing was made to the same list four weeks later, and responses were cut off May 18, 1983.

A total of 1265 questionnaires had been received at the cutoff date and of these 1097 were usable returns. They were distributed as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	58	6%
$10 - $25	132	12
$25 - $50	180	16
$50 - $100	266	24
$100 - $250	251	23
$250 - $500	89	8
$500 - $1 billion	55	5
$1 billion - $5 billion	56	5
Over $5 billion	10	1

After the questionnaires were edited and key punched, the data was computer tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

The statistics are presented here in percentage terms, in dollar averages and in dollar medians.

The percentage computations are based on the number of respondents answering each specific question and are rounded to the nearest whole percentage.

Wherever the word "average" appears, it means the arithmetic mean. Averages for each category are based on the number of banks reporting. Since the number of banks reporting varies from category to category, the sum of the category averages usually will not be the same as the "total" averages.

The median is the middle value from a list of rank ordered values. For example, for the five values 4,000, 4,000, 4,200, 5,000 and 20,000, the median is 4,200 and the average or arithmetic mean is 7,440. There are as many banks above the median as there are below. Because the average is sensitive to extreme values (20,000 in this example) and the median is not, the median often represents a better estimate than the average.

Dollar figures are rounded to the nearest $100.

The development of the marketing budget is one step in the total marketing planning process. Several methods of allocating dollars for marketing purposes are in common use. These will be described briefly and assessed in terms of advantages and disadvantages. But first, a few comments on writing a marketing plan are in order to set the stage for the budgeting process.

The marketing budget is the fifth of six components of a good marketing plan. There are four other steps which should be taken first. The key steps in formulating a marketing plan are the following:

1. ***Situation Analysis:*** Where are we today? What are our strengths and weaknesses? What opportunities and/or threats are facing us?
2. ***Objectives:*** Where do we want to be tomorrow? What specific goals do we want to achieve?
3. ***Strategy:*** What are the available paths to reach our goals? What will our organizational "game plan" be?
4. ***Tactics:*** What, specifically, will we do to implement the strategy? What action plans, timetables, activities, etc.?
5. ***Budget:*** How much will it cost? How will our resources be allocated?
6. ***Evaluation:*** Is it working? How do the actual results compare to our stated objectives?

Based on the planning done in the first four steps, the budgeting process can assign the costs for the marketing activities or tasks that will implement the selected strategy and achieve our goals. While advertising is usually the biggest part of the marketing budget, we should be careful not to overlook the other marketing elements: Public relations, sales promotion, sales/customer relations training and marketing research. Costs are assigned to these various functions based on their contribution to reaching our objectives. The budget, thus, becomes **the marketing plan in dollar terms.**

What has been described is called the **task/objective approach** to marketing planning and budgeting, because the budget is built by adding up the costs involved in achieving each marketing task and objective. Unlike other methods in common use, this technique makes the budget an integral part of a total plan based on an analysis of the unique needs of **your** own bank.

Marginal Analysis

Another approach to budgeting is marginal analysis. The economic foundation for this method is that promotional expenditures should be increased until each dollar of promotional expense is matched by an additional dollar of profit, the objective being to maximize the profit contribution from marketing. Both revenue and corresponding costs that can be generated from various size budgets are estimated to assess the profit implications of each budget. This can be done by taking the previous year's budget and analyzing the projected changes in performance from higher and lower budgets. While conceptually appealing, this method is very difficult to implement in practice. The major difficulty is isolating the contribution of marketing, apart from other factors, to overall profits. It is difficult to determine how marketing efforts will affect the consumer and how this will translate into increased revenue.

Other more traditional methods use "rules of thumb" which are quicker and easier to use, but not as thorough. They may, however, be helpful to decision-makers as general guidelines. Some of the most commonly used methods include:

1. ***Percentage of Assets/Deposits Method:*** Uses a predetermined percentage as the basis for the budget; such as 1/10 of one percent of assets. This method does reflect the fact that larger institutions probably can afford larger budgets. It does not, however, account for other factors that influence marketing expenditure levels such as size of market, market share, opportunities for market development and competitors. Moreover, using current or forecasted assets/deposits as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of deposits and assets, not the other way around.
2. ***Incremental Method:*** Simply tacks on a set increase over previous spending — for example, budgeting 10% more than last year. This method is an easy one to implement, often pegging the increase to the rate of inflation. The assumption, however, is made that goals and strategies closely imitate past history. If you are completely satisfied that last year's performance was so good that you only need to repeat the same or more of the same strategies and tactics, this will work. Simply "doing more of the same" may mean that programs that are no longer effective will be continued since no evaluation or justification of programs takes place. In addition, most

institutions will want to adapt their plans in the face of external changes: Legislative developments, changing consumer markets, strategies of competitive organizations, etc.

3. **Competitive Parity Approach:** Is based on matching competitors' expenditures. The actions of your competitors are allowed to dictate your budget. While that may provide the same communications "weight" as your competitors, it fails unless you are the same size **and** have the same goals. The assumption underlying this approach is that all firms in the marketplace have the same opportunities for profitable marketing. More likely, your opportunities will not be entirely the same as your competitors. For example, a bank introducing a new product/service to compete with a competitor's already established product/service, would probably need heavier promotional effort just to create awareness among customers.
4. **Resources Available Approach:** Whatever is left over after other functions have been budgeted and a satisfactory profit planned goes to marketing. This method relegates marketing to definitely secondary status and does not consider the role of the marketing department or the objectives of the bank. It is possible that the resulting allocation will be too small to allow marketing to be very effective. At the other extreme, more may be spent than is needed. At some point, the result of increasing the number of advertisements in the local paper, for instance, is negligible. Three ads may not be marginally more effective in creating customer awareness of a new service than would two ads. Furthermore, budgets that fluctuate radically from year to year will make long range planning and the attainment of long term objectives very difficult.

All these "rule of thumb" methods fail to allow for flexibility and do not relate expenditures to your bank's specific marketing objectives. Although a budget created by these arbitrary methods is often referred to as a "budget plan", little planning and analysis has actually taken place. Nonetheless [illegible] are useful as decision parameters and often are used in conjunction with a more analytical procedure like the task/objective method.

Using A Written Plan

Some final thoughts on planning and budgeting: Systematic planning can mean improved performance for your bank and lead to better coordination internally. Rather than leaving results to chance and merely reacting to events on a day to day basis, a written plan provides you with a blueprint for action and allocates resources for its implementation. Significant savings can result from developing an annual plan. When you develop your plan, keep the following in mind:

1. **Be specific.** Your stated objectives and performance standards should be quantified whenever possible to enable you to measure their attainment.
2. **Periodically review the actual results** of your promotional effort against your plan. This should be done on a regular basis. The marketing plan should be used as a yardstick to measure your progress. Remember, the annual plan is not set in concrete. Be flexible and be sure to take corrective action when and where needed.
3. **Don't do either budgeting or planning in a vacuum.** The marketing function, more than any other, touches all areas of the bank and requires cooperation from all for the best results. You will want to seek input from others throughout the bank and seek the commitment of top management as well.
4. **Use your marketing plan.** Use it as a guide; refer to it, review it, update it. Planning is an ongoing, dynamic process. The greatest possible mistake is to write a marketing plan and put it on the shelf until it's time to write next year's plan. A good marketing plan is threadbare long before the year is over.

HOW TO USE THE ANALYSIS

Regardless of which method you use in preparing your own bank's budget, this study should be of value in comparing it to other banks' nationwide.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. Obviously, when making comparisons, it's important to be comparing similar items.

The items used on our questionnaire were built around generally accepted industry definitions for consistency among responding banks so that users of this publication could readily compare their expenditures in similar categories.

Nevertheless, check how your bank classifies expenditures to determine if there are any major differences in yours and these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1984 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average, 60% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but is also expensive. Cable television is a growing force in many markets. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations change formats, and audiences, regularly. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken from both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

HOW MUCH IS THE BUDGET?

Tables One through Four show the expenditures banks made in 1982 in five functional areas of marketing.

- Advertising
- Public relations
- Sales promotion
- Staff training
- Marketing research

Each of these major categories is further divided into more detailed items, for example, by media within advertising.

Average budgets for respondents ranged from $13,000 for community banks to more than $7,060,000 for the largest banks.

Tables 1 and 2 show actual average and median expenditures for respondents in each category. Because not all respondents included detail for each line item, the averages will not necessarily sum to the bottom 'total' line. Median budgets range from $6,100 to $5,464,000.

As pointed out earlier, the averages in these tables could be affected by extreme values. For that reason, you may want to consider the median figures (Table 2) in your comparisons to learn what a typical bank spends.

For another comparison of expenditures, Table 3 shows what percentage of the banks' total marketing budget is allocated to each expenditure type.

Of the five major marketing functions, advertising accounts for the largest percentage (55% to 70%) in all size ranges of banks.

Within advertising, newspapers account for the largest expenditures in all bank asset ranges. The percentage allocation of budgets for newspaper advertising in community banks is nearly equal the allocation for the larger banks . . . about 18% to 20%.

Newspaper expenditures not only account for the largest share of the advertising budgets but also generally rival total expenditures on public relations and clearly exceed all other marketing categories.

The next largest common expenditure for banks is radio advertising which accounts for 5% to 12% of the banks' budgets, inversely related to asset size. On the other hand, television expenditures are directly correlated to asset size and range from 1% for community banks to more than 19% for the largest banks.

As a percentage of the marketing budget, training and research receive the least money, averaging about 2% for training and about 3% to 4% for research. Both categories tend to decline somewhat as a percentage of the budget with larger banks.

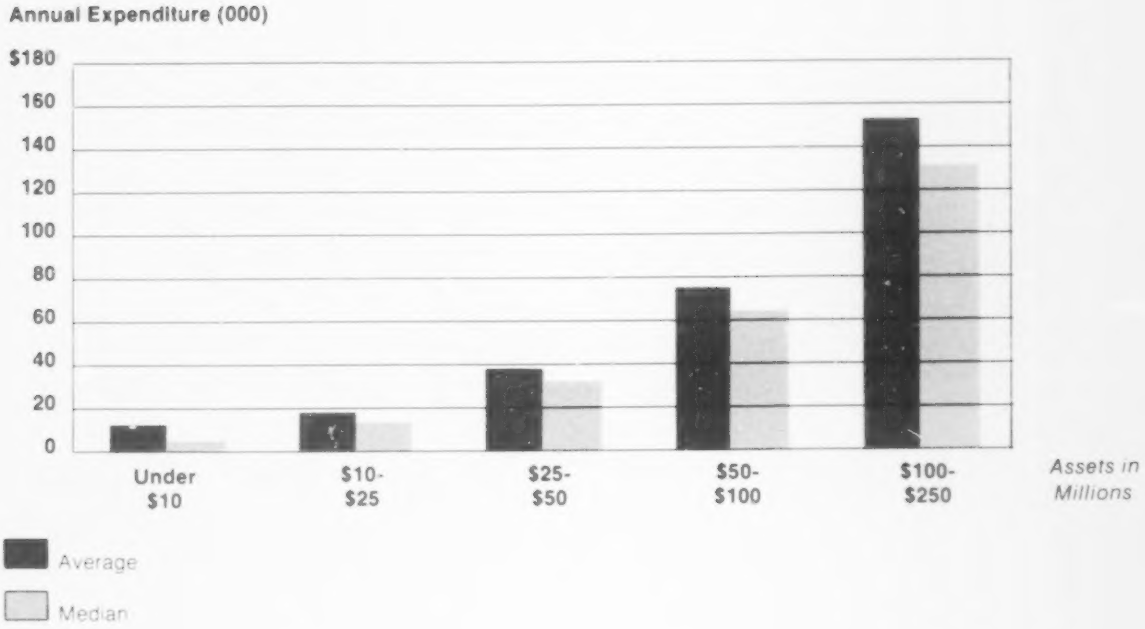
The largest institutions spend higher portions of their budget (66% to 70%) on advertising and less on public relations (8% to 12%) than do community banks (55% advertising, and 19% to 25% for public relations).

The large institutions also spend a smaller percentage (1% to 2%) of their budget on specialty giveaways such as calendars and pens than the community banks (7% to 10%).

The portion spent for donation advertising also declines from 8% to 12% for community banks to 3% to 4% for larger banks.

AVERAGE AND MEDIAN MARKETING EXPENDITURES

The two graphs below show the total average and the median expenditures by asset size as taken from Tables One and Two.



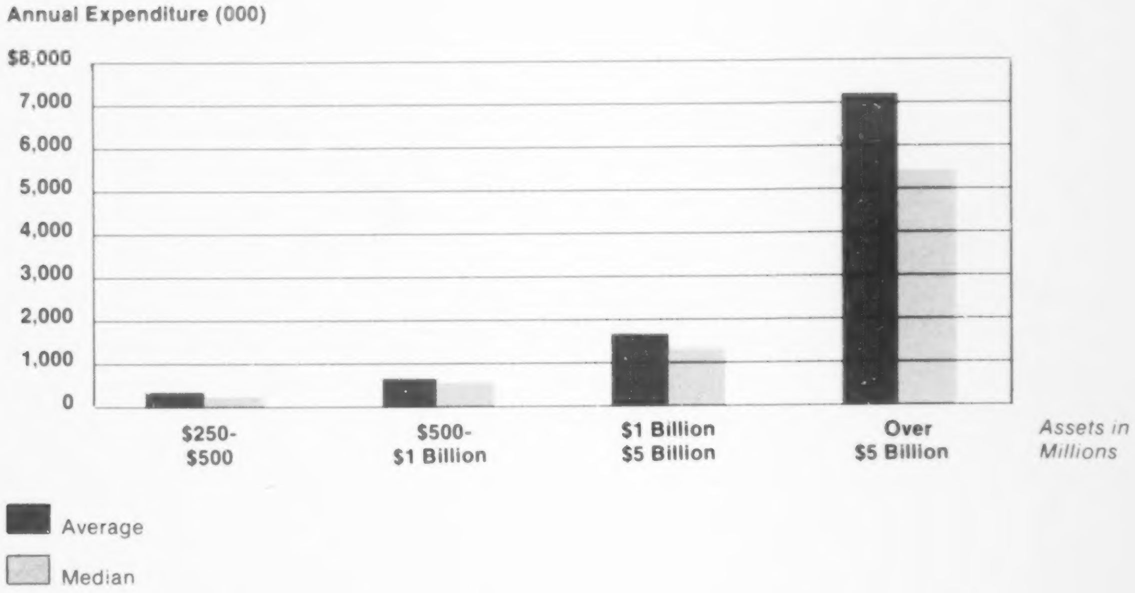


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1982, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$1.5	$ 1.1	$ 1.0	$ 2.6	$ 5.3	$ 12.2	$ 20.1	$ 79.8	$ 367.3
Directories (telephone, bank, city, etc.)	.5	.9	1.2	2.0	3.3	6.0	13.6	27.3	106.1
Newspapers	2.8	4.7	6.7	12.3	26.6	54.1	127.7	285.4	1408.4
Television	.9	2.0	3.6	11.4	23.9	63.4	120.3	317.4	1481.4
Radio	2.5	3.3	6.1	10.5	21.1	40.5	70.0	148.4	574.8
Direct Mail (literature, lists, postage, statement stuffers, etc.)	1.2	1.5	2.6	3.5	7.7	17.2	30.4	114.8	627.1
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1.5	2.3	4.3	6.7	12.1	20.4	28.3	56.3	138.0
Production Expenses (artwork, talent, printing/filming, etc.)	3.6	1.4	4.0	5.7	14.6	40.5	80.5	163.1	344.9
Fees & Commissions (advertising agency, media representative, advertising/marketing consultants, etc.)	5.9	2.2	3.9	7.1	10.4	27.7	53.8	113.8	243.1
Other Advertising	1.1	2.3	5.8	7.8	10.4	16.0	35.0	121.9	1419.5
Sub-Total for Advertising	**7.8**	**10.9**	**22.5**	**43.4**	**98.0**	**241.5**	**475.7**	**1212.6**	**4971.4**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	1.0	1.4	2.5	1.6	8.0	16.5	30.7	70.9	184.3
Media Relations (press releases, press conferences, etc.)	.9	.6	1.5	.8	1.4	1.8	4.5	8.6	31.9
Publications (community service publications, newsletters, etc.)	.4	1.1	1.2	2.0	3.7	5.8	11.4	25.8	109.8
Special Events (seminars, anniversaries, open house, etc.)	.8	1.7	2.1	3.8	7.1	10.9	14.8	41.4	50.3
Public Relations Consultants Fees	4.1	2.4	1.2	6.4	6.0	8.4	7.1	32.1	9.9
Donations (include donation advertising—schools, churches, civic clubs and related publications)	1.3	2.8	3.7	6.8	12.0	21.9	46.5	69.0	559.1
All Other Public Relations	3.7	2.6	4.3	6.5	11.8	9.3	43.8	60.7	44.0
Sub-Total for Public Relations	**2.6**	**5.2**	**8.5**	**14.3**	**28.9**	**48.6**	**105.2**	**215.5**	**605.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	3.3	1.8	3.2	6.9	15.0	22.1	78.6	251.4	1004.1
Newcomer Services (non-salary only)	.3	.7	.7	1.2	1.9	5.1	4.8	13.7	55.4
Specialities (giveaways, such as calendars, pens, etc.)	1.3	3.1	3.9	5.7	8.8	13.4	15.5	24.4	11.4
Point-of-Sale Materials (displays, banners, brochures, etc.)	.5	.9	1.1	2.5	4.8	15.7	24.0	74.5	303.4
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.8	1.2	3.2	3.0	4.2	11.5	18.3	71.8	305.3
All Other Sales Promotion Expenses	.9	2.3	3.8	3.7	7.0	10.3	33.2	95.5	45.0
Sub-Total for Sales Promotion	**2.1**	**4.0**	**6.5**	**10.6**	**21.1**	**42.3**	**82.0**	**284.1**	**1028.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.8	1.0	4.6	3.2	3.7	6.9	19.4	22.9	74.0
Non-Salary internal Expenses (development, printing, classroom, etc.)	.6	.9	1.2	1.3	1.6	4.9	14.9	9.9	15.9
All Other Sales Staff/Customer Relations Training	.6	1.6	1.7	2.3	2.8	4.1	8.9	24.0	—
Sub-Total for Staff Sales/Customer Relations Training	**1.7**	**1.6**	**2.9**	**3.4**	**4.1**	**8.6**	**24.0**	**30.1**	**302.7**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	8.5	3.3	15.4	3.4	5.5	9.6	22.0	58.1	346.5
Non-Salary Internal Expenses	1.5	.4	.7	.8	2.3	4.0	7.2	13.9	98.3
All Other Marketing Research	—	.5	1.3	.9	3.1	2.6	9.4	30.2	29.6
Sub-Total for Marketing Research	**7.4**	**6.2**	**10.6**	**2.9**	**5.2**	**8.6**	**25.0**	**65.6**	**391.7**
OTHER MARKETING EXPENSES	5.7	7.3	3.3	33.6	16.4	21.2	49.2	192.5	483.5
Total Marketing Expenditures	**13.0**	**19.9**	**38.9**	**74.5**	**152.2**	**339.4**	**681.1**	**1736.9**	**7062.7**

TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1982, $000)

	Asset Size in Millions								
Expenditure Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .2	$ .2	$ .5	$ 1.5	$ 3.0	$ 6.0	$ 16.4	$ 65.0	$ 144.0
Directories (telephone, bank, city, etc.)	.3	.5	.9	1.5	2.5	4.7	11.5	18.4	68.0
Newspapers	1.0	3.2	5.0	10.0	21.5	40.0	84.0	216.3	974.2
Television	.4	.9	1.1	5.5	15.7	52.5	92.0	230.0	620.0
Radio	.6	1.8	5.5	8.8	16.0	31.0	63.4	110.4	571.5
Direct Mail (literature, lists, postage, statement stuffers, etc.)	.5	.6	1.2	2.0	5.0	10.0	26.7	72.3	370.0
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	.5	1.5	2.0	4.3	9.5	16.0	30.0	42.6	85.0
Production Expenses (artwork, talent, printing/filming, etc.)	1.0	.8	1.0	2.5	9.0	29.6	57.3	125.0	307.0
Fees & Commissions (advertising agency, media representative, advertising/marketing consultants, etc.)	3.0	1.5	2.4	5.0	8.5	21.7	45.5	96.0	98.0
Other Advertising	.5	1.0	3.2	3.5	5.6	6.7	11.9	25.0	151.0
Sub-Total for Advertising	**2.9**	**7.8**	**17.3**	**35.3**	**83.9**	**211.6**	**424.7**	**1140.3**	**3175.5**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.3	.5	.8	1.4	5.5	15.0	29.0	60.0	219.8
Media Relations (press releases, press conferences, etc.)	.3	.5	.2	.5	1.0	1.0	2.0	5.0	35.0
Publications (community service publications, newsletters, etc.)	.2	.5	.9	1.2	2.1	3.3	8.0	13.0	84.0
Special Events (seminars, anniversaries, open house, etc.)	.3	1.0	1.2	2.0	3.6	6.3	10.0	22.2	10.0
Public Relations Consultants Fees	2.0	.8	.8	3.0	3.6	4.0	5.0	26.0	4.8
Donations (include donation advertising—schools, churches, civic clubs & related publications)	.6	1.7	3.0	5.0	8.0	16.0	20.0	20.6	500.0
All Other Public Relations	1.7	1.0	3.1	3.6	5.8	5.0	19.2	25.0	33.0
Sub-Total for Public Relations	**1.1**	**3.0**	**5.9**	**11.0**	**22.0**	**41.0**	**85.0**	**140.0**	**615.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	.3	1.0	1.6	4.6	5.0	12.9	26.0	35.0	118.0
Newcomer Services (non-salary only)	.1	.5	.4	.7	1.0	2.0	3.0	10.0	28.0
Specialities (giveaways, such as calendars, pens, etc.)	.8	2.0	3.0	4.4	7.0	8.5	10.4	22.6	5.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	.2	.5	.8	1.5	3.0	8.0	18.0	43.0	250.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.3	.5	.5	1.0	2.0	5.1	10.0	23.0	75.0
All Other Sales Promotion Expenses	.4	1.0	1.3	2.5	2.9	4.1	23.1	67.0	45.0
Sub-Total for Sales Promotion	**.9**	**2.5**	**4.5**	**8.5**	**15.9**	**34.3**	**47.8**	**127.5**	**560.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	.8	.5	1.0	1.8	2.0	3.0	10.0	19.6	48.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.5	.5	1.0	1.0	1.0	2.0	5.0	4.0	6.7
All Other Sales Staff/Customer Relations Training	.5	1.0	.9	1.0	1.5	2.3	5.0	8.0	90.4
Sub-Total for Staff Sales/Customer Relations Training	**.8**	**.8**	**1.0**	**1.5**	**2.1**	**4.4**	**18.4**	**20.0**	**97.1**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	1.0	.5	1.5	2.0	3.0	6.4	18.5	30.7	200.0
Non-Salary Internal Expenses	1.5	.4	.5	.6	1.0	1.5	6.0	6.0	40.9
All Other Marketing Research	—	.5	.5	.5	1.3	2.0	5.0	10.0	9.2
Sub-Total for Marketing Research	**1.0**	**.8**	**1.0**	**2.0**	**3.0**	**6.0**	**20.0**	**40.0**	**250.0**
OTHER MARKETING EXPENSES	4.9	1.0	3.1	6.4	8.0	11.3	33.4	75.7	483.5
Total Marketing Expenditures	**6.1**	**14.7**	**32.4**	**60.4**	**132.9**	**307.0**	**568.0**	**1407.0**	**5464.8**

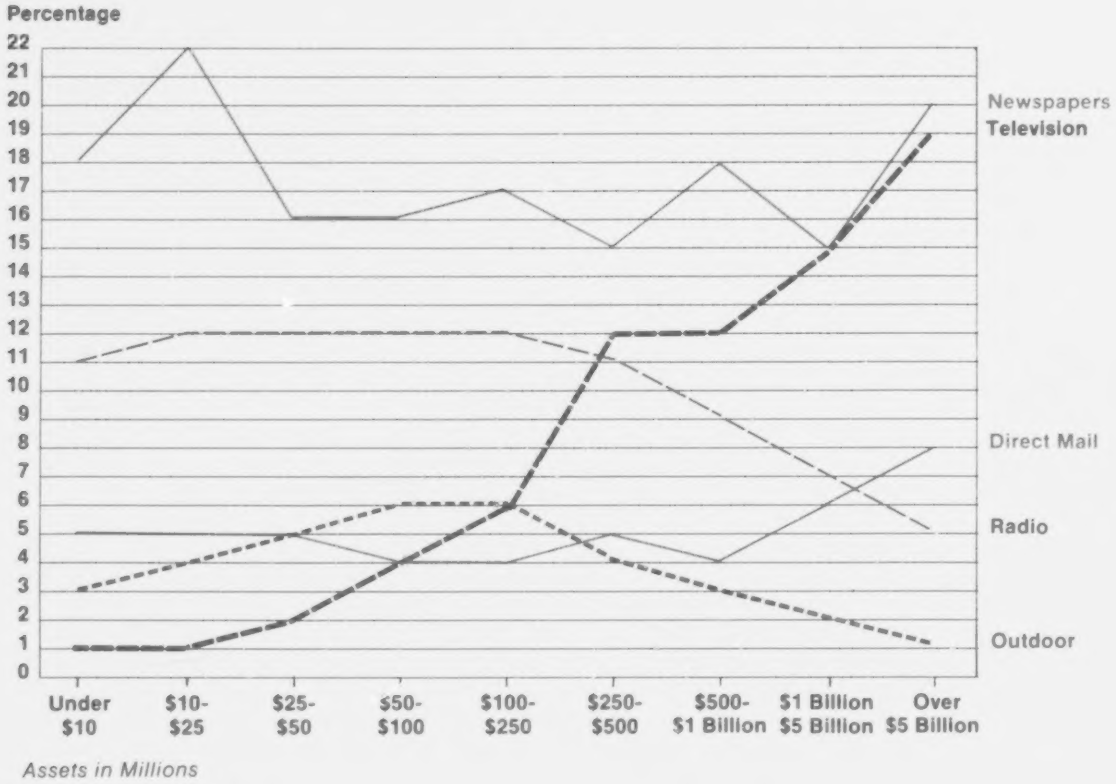
TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1982 BY ASSET SIZE

Expenditure Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
	Asset Size in Millions								
ADVERTISING									
Magazines (consumer, trade, etc.)	3%	1%	1%	1%	1%	2%	2%	4%	4%
Directories (telephone, bank, city, etc.)	3	3	3	2	2	2	2	1	1
Newspapers	18	22	16	16	17	15	18	15	20
Television	1	1	2	4	6	12	12	15	19
Radio	11	12	12	12	12	11	9	7	5
Direct Mail (literature, lists, postage, statement stuffers, etc.)	5	5	5	4	4	5	4	6	8
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	3	4	5	6	6	4	3	2	1
Production Expenses (artwork, talent, printing/filming, etc.)	4	2	5	5	8	10	10	8	3
Fees & Commissions (advertising agency, media representative, advertising/marketing consultants, etc.)	5	2	3	5	4	6	6	4	1
Other Advertising	3	3	5	4	2	2	2	3	8
Sub-Total for Advertising	**56**	**54**	**55**	**57**	**63**	**70**	**67**	**66**	**70**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	3	2	3	2	4	3	3	3	2
Media Relations (press releases, press conferences, etc.)	*	*	*	*	*	*	*	*	*
Publications (community service publications, newsletters, etc.)	1	2	1	1	1	1	1	1	1
Special Events (seminars, anniversaries, open house, etc.)	2	4	3	3	3	2	1	2	*
Public Relations Consultants Fees	2	1	*	*	*	*	*	1	*
Donations (include donation advertising—schools, churches, civic clubs & related publications)	8	12	8	8	7	6	5	3	4
All Other Public Relations	3	3	4	4	3	1	2	1	*
Sub-Total for Public Relations	**19**	**25**	**21**	**19**	**19**	**14**	**15**	**12**	**8**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	3	2	2	2	3	2	4	7	7
Newcomer Services (non-salary only)	*	*	*	*	*	1	*	*	*
Specialities (giveaways, such as calendars, pens, etc.)	7	10	8	6	5	3	2	1	*
Point-of-Sale Materials (displays, banners, brochures, etc.)	1	1	1	2	2	3	3	3	4
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1	1	2	1	1	2	1	2	2
All Other Sales Promotion Expenses	*	1	2	1	1	*	1	1	*
Sub-Total for Sales Promotion	**12**	**15**	**15**	**13**	**13**	**12**	**11**	**15**	**13**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1	1	2	1	1	1	1	1	*
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1	1	1	*	*	*	1	*	*
All Other Sales Staff/Customer Relations Training	*	1	1	1	*	*	*	*	2
Sub-Total for Staff Sales/Customer Relations Training	**3**	**2**	**3**	**2**	**1**	**1**	**2**	**1**	**3**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	6	1	5	1	1	1	2	3	5
Non-Salary Internal Expenses	*	*	*	*	*	*	*	*	1
All Other Marketing Research	—	*	*	*	*	*	*	*	*
Sub-Total for Marketing Research	**6**	**3**	**5**	**1**	**2**	**2**	**3**	**4**	**6**
OTHER MARKETING EXPENSES	4	2	1	8	2	1	1	2	1
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)



WHERE THE BUDGET IS SPENT

Table 4 shows the percentage of banks which report an expenditure in each marketing category. For example, 97% of the banks in the "$250 to $500 million" range indicate they spent marketing funds in newspapers.

Whereas newspapers received the largest **share** of budgets as shown on Table 3, they also account for one of the highest **use** categories with 85% to 100% of banks using them as shown in Table 4.

Within the advertising budget, radio and directory advertising were next most common, followed by direct mail and billboard.

While about 95% or more of the banks reported advertising and public relation expenditures of some type, research and staff training received expenditures in about only half of the responding banks.

Other noteworthy items include: Of medium and larger banks, almost half use nonsalary incentives for employee selling efforts and 75% or more of the larger banks spend funds on research while less than a third of community banks do.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1982 BY ASSET SIZE

	Asset Size in Millions								
Expenditure Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
ADVERTISING									
Magazines (consumer, trade, etc.)	26%	21%	24%	27%	42%	65%	75%	84%	70%
Directories (telephone, bank, city, etc.)	66	67	79	80	86	88	93	86	70
Newspapers	84	92	91	94	95	97	95	91	100
Television	16	11	18	24	39	63	65	80	90
Radio	59	73	80	85	90	89	85	86	60
Direct Mail (literature, lists, postage, statement stuffers, etc.)	55	64	70	77	82	92	89	89	90
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	22	33	41	62	73	71	71	66	60
Production Expenses (artwork, talent, printing/filming, etc.)	14	23	46	61	81	88	87	89	70
Fees & Commissions (advertising agency, media representative, advertising/marketing consultants, etc.)	12	17	34	47	63	74	78	64	40
Other Advertising	34	22	32	36	32	52	35	46	40
Sub-Total for Advertising	**93**	**98**	**95**	**97**	**98**	**98**	**96**	**95**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	34	30	45	50	70	69	76	77	70
Media Relations (press releases, press conferences, etc.)	7	3	8	14	21	38	55	70	70
Publications (community service publications, newsletters, etc.)	28	30	34	41	53	56	53	57	60
Special Events (seminars, anniversaries, open house, etc.)	34	47	56	65	67	74	67	71	40
Public Relations Consultants Fees	5	5	5	5	7	13	22	36	20
Donations (include donation advertising—schools, churches, civic clubs and related publications)	84	89	89	87	88	85	80	71	50
All Other Public Relations	9	25	33	42	40	37	35	39	40
Sub-Total for Public Relations	**95**	**95**	**97**	**97**	**99**	**98**	**96**	**93**	**90**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	10	17	18	26	34	38	38	48	50
Newcomer Services (non-salary only)	10	7	21	31	39	37	31	25	30
Specialities (giveaways, such as calendars, pens, etc.)	66	64	76	82	84	78	84	77	60
Point-of-Sale Materials (displays, banners, brochures, etc.)	17	27	36	49	65	70	73	79	90
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	9	16	22	36	41	51	44	54	40
All Other Sales Promotion Expenses	5	8	19	15	22	16	20	20	10
Sub-Total for Sales Promotion	**72**	**76**	**88**	**92**	**94**	**94**	**95**	**95**	**90**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	10	12	13	30	33	37	31	46	20
Non-Salary Internal Expenses (development, printing, classroom, etc.)	12	12	18	25	31	28	38	46	20
All Other Sales Staff/Customer Relations Training	9	8	16	17	11	19	20	14	20
Sub-Total for Staff Sales/Customer Relations Training	**28**	**27**	**40**	**53**	**55**	**57**	**60**	**68**	**60**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	9	5	13	18	31	46	69	79	100
Non-Salary Internal Expenses	2	2	3	12	15	21	29	61	40
All Other Marketing Research	—	1	3	6	9	15	22	16	20
Sub-Total for Marketing Research	**10**	**9**	**20**	**29**	**48**	**71**	**85**	**95**	**100**
OTHER MARKETING EXPENSES	9	5	9	18	20	24	16	20	10
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGETS BY MARKET SIZE AND TYPE

Tables 5 through 7 present the expenditures in the framework of the respondent banks market (both in its size and its type). The data of Table 6 (by population and asset size) will be helpful in making the data from Table 1 more specific to your own marketing environment. Nevertheless, be aware of the smaller samples in some of these categories and the effect on projecting the data to other environments.

Of the banks which responded to the survey, about 60% were located in markets of 100,000 people or less, 25% in markets of 100,000 to 500,000, 5% were located in markets from 500,000 to 1 million and 10% in markets of 1 million or more.

The information here is easy to compare to your own bank's environment. In Table 6 for example, if your bank has $200 million in assets in a market under 100,000 persons, you could compare your expenditure to the average of $135,700. If your market were one million or more, the average would be $246,000.

As might be expected, banks in larger markets frequently exhibit larger marketing budgets. The average expenditure in the smallest market (under 100,000) for banks from $50 million to $100 million, is only $65,700 while in the next largest market (100,000 to 500,000), it is $90,500 or 37% more. The median in this same instance is $58,500 versus $74,000 or 26% higher.

While these comparisons will be useful, they should not be considered absolutes. The marketing plan referred to earlier in the "Budgeting for Bank Marketing" section should take into consideration the factors of your marketplace such as size, available media and competitors.

Further, many smaller banks have been successful in very large markets by seeking out their own niche, either in terms of customer segments or geographic boundaries, rather than confronting the market at large.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1982, $000)

	Population Size			
Expenditure Type	**Under 100,000**	**100,000-500,000**	**500,000-1 Million**	**1 Million or More**
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.0	$ 10.9	$ 38.2	$ 75.8
Directories (telephone, bank, city, etc.)	1.6	5.0	11.1	24.0
Newspapers	10.8	33.5	109.1	307.0
Television	11.5	38.5	120.9	469.2
Radio	9.5	27.9	55.9	146.3
Direct Mail (literature, lists, postage, statement stuffers, etc.)	3.1	12.9	27.9	118.4
Outdoor & Transit (Billboards, taxi/bus, train cards, etc.)	6.5	16.3	26.5	47.3
Production Expenses (artwork, talent, printing/filming, etc.)	8.2	24.8	77.0	117.9
Fees & Commissions (advertising agency, media representative, advertising/marketing consultants, etc.)	7.0	19.3	50.0	85.4
Other Advertising	6.4	13.2	50.8	188.1
Sub-Total for Advertising	**38.1**	**145.2**	**418.9**	**1118.0**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	3.6	10.6	32.3	64.9
Media Relations (press releases, press conferences, etc.)	1.0	1.5	3.4	9.7
Publications (community service publications, newsletters, etc.)	1.9	4.7	11.3	27.1
Special Events (seminars, anniversaries, open house, etc.)	3.3	8.9	14.3	30.5
Public Relations Consultants Fees	4.2	12.5	19.7	15.1
Donations (include donation advertising—schools, churches, civic clubs and related publications)	6.0	15.1	29.2	78.6
All Other Public Relations	6.8	16.2	21.3	40.0
Sub-Total for Public Relations	**13.4**	**35.3**	**77.0**	**172.0**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	6.6	15.7	66.2	255.9
Newcomer Services (non-salary only)	1.2	3.3	7.2	18.6
Specialities (giveaways, such as calendars, pens, etc.)	5.2	9.1	15.8	17.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	2.4	8.1	25.0	81.8
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	3.0	6.0	56.4	55.3
All Other Sales Promotion Expenses	3.7	11.9	12.3	67.5
Sub-Total for Sales Promotion	**9.7**	**26.0**	**90.9**	**248.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	3.4	6.4	10.3	19.2
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1.3	3.2	13.3	9.3
All Other Sales Staff/Customer Relations Training	2.3	3.2	3.0	—
Sub-Total for Staff Sales/Customer Relations Training	**3.3**	**6.9**	**12.2**	**46.8**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	6.9	10.6	17.4	83.4
Non-Salary Internal Expenses	1.3	3.9	4.4	21.9
All Other Marketing Research	1.3	3.1	9.0	26.4
Sub-Total for Marketing Research	**5.7**	**9.2**	**17.5**	**88.7**
OTHER MARKETING EXPENSES	17.9	17.4	25.8	158.0
Total Marketing Expenditures	**63.4**	**212.0**	**574.6**	**1597.7**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1982, $000)

	Asset Size in Millions								
Population Size	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Under 100,000									
Average Expenditures	$12.1	$19.1	$38.0	$65.7	$135.7	$289.3	$241.0		
Median Expenditures	5.7	15.3	32.3	58.5	122.5	300.0	241.0		
Number of Reporting Banks	53	117	154	200	117	12	1		
100,000 - 500,000									
Average Expenditures	15.6	22.5	49.5	90.5	162.1	320.0	634.3	$1035.0	
Median Expenditures	15.2	13.6	35.9	74.0	151.8	298.8	544.6	1031.8	
Number of Reporting Banks	3	10	20	52	107	53	14	7	
500,000 - 1 Million									
Average Expenditures	24.0	56.6	34.9	94.1	167.5	395.2	662.0	1444.1	
Median Expenditures	24.0	56.6	34.9	69.7	119.8	301.1	570.0	1093.0	
Number of Reporting Banks	1	1	2	4	11	12	13	11	
1 Million or More									
Average Expenditures	44.1	25.1	9.6	162.1	246.0	444.9	736.9	2008.4	$7062.7
Median Expenditures	44.1	25.1	5.7	85.0	191.7	447.4	685.5	1848.2	5464.8
Number of Reporting Banks	1	2	3	9	11	10	24	36	10

TABLE 7

AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE

(All Reporting Banks - 1982, $000)

	Market Type					
Population Size	**State-wide**	**Urban SMSA**	**Suburban SMSA**	**Urban Not SMSA**	**Suburban Not SMSA**	**Rural**
Under 100,000						
Average Expenditures	$262.6	$ 99.3	$ 79.5	$ 98.6	$ 84.7	$ 44.1
Median Expenditures	252.3	66.0	50.9	75.2	75.2	32.4
Number of Reporting Banks	5	38	60	77	68	389
100,000 - 500,000						
Average Expenditures	462.2	263.0	150.8	229.3	171.1	175.0
Median Expenditures	247.6	168.8	122.2	121.1	141.1	136.0
Number of Reporting Banks	5	81	101	25	28	11
500,000 - 1 Million						
Average Expenditures	778.5	484.7	618.1	119.8	743.8	
Median Expenditures	555.1	410.0	570.0	119.8	500.0	
Number of Reporting Banks	9	21	15	1	3	
1 Million or More						
Average Expenditures	3035.3	975.3	463.7	151.0	785.3	975.0
Median Expenditures	1797.5	527.0	126.9	151.0	785.3	975.0
Number of Reporting Banks	36	41	14	2	2	2

Survey respondents also were asked to allocate their marketing budget by percentage over four areas:

A) Retail (to individuals)
B) Commercial/Corporate (businesses)
C) Trust
D) Institutional

In general, spending for retail services averaged about 60% of the total budget, commercial/corporate about 20%; trust about 5%, and institutional and "other" about 15%.

The actual average expenditures in retail (from Table 11) ranged from $7,800 to $5,611,000 depending on bank size. The next largest category, commercial/corporate, ranged from $4,800 to $1,570,000.

Median figures were somewhat lower in both examples and are shown in Table 12.

As bank size increased, the percentage allocations for these segments changed somewhat. As shown in Table 8, larger banks tend to spend a larger percentage of their budget on institutional advertising than do community banks. The figures range generally from 6% up to 15% to 19% with the larger banks.

The percentage allocation for commercial/corporate services declines somewhat with an increase in bank size.

Trust services accounted for less than 7% in all cases, with the highest concentration in banks from $1 billion to $5 billion in assets.

Virtually all banks promote services to the retail market, as shown in Table 9 and about 90% do commercial/ corporate marketing. The emphasis on trust marketing varies widely with the bank asset size. As few as 10% of community banks use it while more than 70% of larger banks do.

The percentage of banks using institutional advertising also increases with size, up to 88% for larger institutions.

TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE BY ASSET SIZE

	Asset Size in Millions								
Service Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Retail Services (individuals)	65.3%	69.0%	61.5%	54.7%	59.3%	53.8%	68.7%	59.5%	67.6%
Commercial/Corporate (business)	23.4	20.7	21.8	22.6	17.4	19.2	14.4	18.3	22.3
Trust	1.3	.5	1.4	4.0	4.7	4.9	3.8	6.9	4.6
Institutional	5.8	6.0	11.3	16.2	15.7	19.2	11.1	14.6	7.7
Other	4.3	3.8	3.9	2.6	2.9	2.9	2.1	.7	.4
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE BY ASSET SIZE

	Asset Size in Millions								
Service Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Retail Services (individuals)	95%	94%	97%	99%	98%	100%	100%	94%	100%
Commercial/Corporate (business)	83	81	89	91	90	90	94	94	88
Trust	10	8	18	45	60	74	67	74	63
Institutional	35	25	57	78	79	88	79	75	38
Other	15	15	20	17	19	22	21	13	13
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1982, $000)

	Population Size			
Service Type	**Under 100,000**	**100,000-500,000**	**500,000-1 Million**	**1 Million or More**
Retail Services (individuals)	$38.7	$125.9	$360.3	$1093.3
Commercial/Corporate (business)	15.2	44.1	110.1	289.1
Trust	8.6	18.3	42.3	118.8
Institutional	16.2	45.3	131.2	264.3
Other	10.0	30.4	39.9	104.8

TABLE 11
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1982, $000)

	Asset Size in Millions								
Service Type	**Under $10**	**$10- $25**	**$25- $50**	**$50- $100**	**$100- $250**	**$250- $500**	**$500- $1 Billion**	**$1 Billion- $5 Billion**	**$5 Billion or More**
Retail Services (individuals)	$7.8	$14.0	$23.4	$42.4	$91.2	$183.7	$476.8	$1140.0	$5611.6
Commercial/Corporate (business)	4.8	5.5	10.1	18.9	31.1	73.5	94.2	300.7	1570.8
Trust	5.7	1.0	2.8	6.0	12.5	21.9	34.8	131.9	379.7
Institutional	3.1	5.7	7.7	14.9	32.7	73.6	93.8	378.2	852.0
Other	3.1	5.5	5.8	10.9	19.2	54.0	60.6	99.9	510.9

TABLE 12
MEDIAN MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1982, $000)

	Asset Size in Millions								
Service Type	**Under $10**	**$10- $25**	**$25- $50**	**$50- $100**	**$100- $250**	**$250- $500**	**$500- $1 Billion**	**$1 Billion- $5 Billion**	**$5 Billion or More**
Retail Services (individuals)	$3.9	$10.1	$20.0	$32.4	$74.9	$158.6	$411.3	$875.0	$2837.0
Commercial/Corporate (business)	1.5	3.7	5.9	12.1	21.0	50.6	57.0	224.0	1050.0
Trust	1.2	1.1	1.7	4.2	8.4	15.8	31.3	97.5	210.0
Institutional	1.2	4.3	4.4	9.3	19.2	47.6	54.8	189.4	1088.8
Other	2.5	3.0	4.2	6.2	15.6	35.7	39.9	47.3	510.9

USE AND COMPENSATION OF ADVERTISING AGENCIES

The use of advertising agencies or in-bank agencies has a direct correlation to the size of the bank. As shown in Table 13, usage of bank or holding company staff was very high (49% to 74%) among community banks but as low as 6% to 8% among the largest institutions.

Conversely, community banks reported outside agency usage as low as 12% depending on the size range. The banks over $500 million reported usage of outside agencies as high as 89%.

Among respondents checking "other" methods for preparing advertising, highest in the community bank ranges, most indicated they either used some sort of informal free-lance arrangement or media representatives.

Overall the most popular arrangement for agency compensation is fee basis only, although there is a combination of methods for many of the respondents.

Table 16 shows that the basic type of compensation varies with the size of the bank. As many as 86% of the community banks used only a fee basis for paying their agencies. For banks over $100 million, the percentage drops to 47% and continues to decline to as low as 21%.

At the same time, only a very small portion of the community banks use commission only payments. The percentage of commission-only agreements increases to as much as 50% for the largest banks.

The percentages tend to confirm that in smaller banks media commissions may not be sufficient to compensate agencies so the bank relies on a sole or supplemental fee arrangement. In the largest banks, the reverse could be true. A flat commission on a very large media budget could overcompensate an agency and it might be more equitable to both parties to develop a combination of fees and commissions.

Tables 14 and 15 confirm the assumption that the larger the population of the market the more likely it is that the bank will have an advertising agency. For example, in markets under 100,000 only 32% used outside agencies. In the largest markets, over 1 million, the figure was 76%.

The use of agencies also is related to the type of market area. Only 24% of the respondents in rural markets used agencies while 79% of those in statewide markets did.

TABLE 13
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1982

	Asset Size in Millions								
Primary Source	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank or Holding Company Staff	70%	74%	56%	49%	33%	8%	7%	6%	
Used Outside Agency	15	12	28	40	57	86	89	89	100%
Other	15	14	17	11	10	6	4	6	

TABLE 14
PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

Population Size	Used Bank or Holding Company Staff	Used Outside Agency	Other	Base
Under 100,000	54%	32%	14%	626
100,000 But Less Than 500,000	28	65	7	262
500,000 But Less Than One Million	16	77	7	55
One Million or More	18	76	6	101

TABLE 15
PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

Market Type	Used Bank or Holding Company Staff	Used Outside Agency	Other	Base
Statewide	9%	79%	12%	56
SMSA - Urban	25	69	6	181
SMSA - Suburban	37	56	7	185
Urban But Not SMSA	38	51	11	104
Suburban But Not SMSA	35	48	17	100
Rural (none of the above)	62	24	14	381

TABLE 16
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1982

	Asset Size in Millions								
Compensation Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fee Basis (retainer, project, hourly, etc.)	57%	86%	74%	60%	47%	35%	44%	21%	—
Media Commissions	14	7	2	4	7	9	8	30	50%
Both	29	7	23	36	46	56	48	49	50

TABLE 17
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1981/1982 BY ASSET SIZE
(All Reporting Banks - 1982, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1982 NON-SALARY MARKETING EXPENDITURES									
Average Expenditures	$13.0	$19.9	$38.9	$74.5	$152.2	$339.4	$681.1	$1736.9	$7062.7
Median Expenditures	6.1	14.7	32.4	60.4	132.9	307.0	568.0	1407.0	5464.8
Number of Reporting Banks	58	132	180	266	251	89	55	56	10
1981 NON-SALARY MARKETING EXPENDITURES									
Average Expenditures	13.2	16.3	56.8	72.0	141.3	438.8	640.9	1495.0	4527.0
Median Expenditures	6.8	13.0	30.0	57.3	125.0	300.0	589.9	1227.0	5000.0
Number of Reporting Banks	37	98	151	236	223	77	52	45	7

Table 17 summarizes total marketing expenditures for respondents for both 1981 and 1982. In each table, both the average and median budgets are indicated along with the number of respondent banks in each asset category.

In general, 1982 budgets showed increases over 1981 budgets. Nevertheless, certain asset ranges reported decreases in either average or median expenditures. While it would be possible to make estimates from this data on what the banking industry at large spends on marketing, there are a number of limiting biases. The number of banks changes each year and responding banks, as cited earlier, may not make expenditures typical of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine asset ranges.

BANK MARKETING ASSOCIATION

Part I. U.S. BANK MARKETING EXPENDITURES (excluding salaries)
Please allocate your 1982 non-salary marketing expenditures as best you can among the following categories. If your bank is part of a holding company, please report only your bank's figures.

A. ADVERTISING
1. Magazines (consumer, trade, etc.) .... $______
2. Directories (telephone, bank, city, etc.) .... ______
3. Newspapers .... ______
4. Television .... ______
5. Radio .... ______
6. Direct Mail (literature, lists, postage, statement stuffers, etc.) .... ______
7. Outdoor and transit (billboards, taxi/bus/train cards, etc.) .... ______
8. Production expenses (artwork, talent, printing/filming, etc.) .... ______
9. Fees and commissions (advertising agency, media representative, advertising/marketing consultants, etc.) .... ______
10. All other advertising (please describe) ______ ______

Sub-Total for Advertising .... $______

B. PUBLIC RELATIONS
1. Stockholder/investment community (annual report, meetings, etc.) .... ______
2. Media relations (press releases, press conferences, etc.) .... ______
3. Publications (community service publications, newsletters, etc.) .... ______
4. Special events (seminars, anniversaries, open house, etc.) .... ______
5. Public relations consultants fees .... ______
6. Donations (include donation advertising — schools, churches, civic clubs & related publications) .... ______
7. All other public relations (please describe) ______ ______

Sub-Total for Public Relations .... $______

C. SALES PROMOTION
1. Net premium expense (cost of premiums less revenues from premium sales) .... ______
2. Newcomer services (non-salary only) .... ______
3. Specialties (giveaways, such as calendars, pens, etc.) .... ______
4. Point of sale materials (displays, banners, brochures, etc.) .... ______
5. Employee incentives (non-salary expenses directly related to employee sales/customer relations efforts) .... ______
6. All other sales promotion expenses (please describe) ______ ______

Sub-Total for Sales Promotion .... $______

D. STAFF SALES/CUSTOMER RELATIONS TRAINING
1. External expenses (consultant fees, materials, facilities, etc.) .... ______
2. Non-salary internal expenses (development, printing, classroom, etc.) .... ______
3. All other staff sales/customer relations training (please describe) ______ ______

Sub-Total for Staff Sales/Customer Relations Training .... $______

E. MARKETING RESEARCH
1. External expenses (supplier expenses such as consultants, field firms, data processing firms, etc.) .... ______
2. Non-salary internal expenses .... ______
3. All other marketing research (please describe) ______ ______

Sub-Total for Marketing Research .... $______

F. ALL OTHER NON-SALARY MARKETING EXPENSES NOT ACCOUNTED FOR IN A—E ABOVE (use a write-in below) .... $______

Total 1982 Non-Salary Marketing Expenditures (Sum of A—F above) .... $______

Part II. SERVICE ALLOCATION OF 1982 NON-SALARY MARKETING EXPENDITURES
Please indicate the approximate percentage amount of your total marketing budget allocated to each of these five categories:

______% Retail (Individuals)
______% Commercial/corporate (Business)
______% Trust
______% Institutional
______% Other (Specify ______)
100 % Total

Part III. GENERAL INFORMATION (Place a single check under each question)

A. What were your bank's total assets as of December 31, 1982?
- ☐ Under $10 million
- ☐ $10 million but less than $25 million
- ☐ $25 million but less than $50 million
- ☐ $50 million but less than $100 million
- ☐ $100 million but less than $250 million
- ☐ $250 million but less than $500 million
- ☐ $500 million but less than $1 billion
- ☐ $1 billion but less than $5 billion
- ☐ $5 billion or more

B. Was your bank part of a holding company in 1982?
- ☐ No (skip to D)
- ☐ Yes — one bank (skip to D)
- ☐ Yes — multi-bank (answer C)

C. (To be answered by multi-bank holding company banks only) What were the total assets for all banks in the holding company as of December 31, 1982?
- ☐ Under $10 million
- ☐ $10 million but less than $25 million
- ☐ $25 million but less than $50 million
- ☐ $50 million but less than $100 million
- ☐ $100 million but less than $250 million
- ☐ $250 million but less than $500 million
- ☐ $500 million but less than $1 billion
- ☐ $1 billion but less than $5 billion
- ☐ $5 billion or more

D. What were the branching laws in your state on December 31, 1982?
- ☐ Branching not permitted
- ☐ Limited branching permitted
- ☐ Statewide branching permitted

E. For retail business, what best describes the kind of market in which your bank competes? (check appropriate response; note: SMSA = Standard Metropolitan Statistical Area)
- ☐ Statewide
- ☐ SMSA — Urban
- ☐ SMSA — Suburban
- ☐ Urban but not SMSA
- ☐ Suburban but not SMSA
- ☐ Rural (none of the above)

F. What is the approximate population of the retail trade area checked in E above? (check appropriate category)
- ☐ Under 100,000
- ☐ 100,000 but less than 500,000
- ☐ 500,000 but less than one million
- ☐ One million or more

G. Please indicate the approximate Total Non-Salary Marketing Expenditures for your bank in:

$______ 1981

Part IV. AGENCY COMPENSATION

A. Which one of the following was the bank's primary source for creating advertising during 1982?
- ☐ Used bank or holding company staff
- ☐ Used outside agency
- ☐ Other (specify) ______

B. (Answer only if you indicated use of an outside agency above) Please indicate how your agency was compensated for services in 1982.
- ☐ Fee basis (retainer, project, hourly, etc.)
- ☐ Media Commissions
- ☐ Both

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309 WEST WASHINGTON STREET, CHICAGO, ILL. 60606

- A3435-14 12/87

Analysis of 1983 Bank Marketing Expenditures

1984 Research Report
Advertising Department

BANK MARKETING ASSOCIATION 309 West Washington Street • Chicago, Illinois 60606

TO FINANCIAL MARKETERS:

BMA is pleased to present the "Analysis of 1983 Bank Marketing Expenditures." This study on how banks spend their marketing budgets is the only one of its kind in our industry.

In these times of deregulation, increasing competition and rapidly changing markets, the "Analysis" should be helpful to readers in developing their own marketing strategies and budgets to compete best in the marketplace.

The study is based on a sampling of the entire U.S. commercial banking industry. For comparison purposes, the data is reported in essentially the same format as last year's "Analysis," and additional data on usage of advertising agencies has been included.

We also want to express our sincere appreciation to the more than 1,200 banks nationwide which took the time and effort to complete the lengthy questionnaire early in the year. Without their participation, this study would not have been possible.

Cordially,

Ray Cheseldine

Raymond M. Cheseldine
Executive Vice President

BANK MARKETING ASSOCIATION
309 WEST WASHINGTON STREET CHICAGO ILL 60606

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HOW THE SURVEY WAS CONDUCTED

The "Analysis" contains more than 2,000 individual statistics on how banks in the United States spend their marketing budget to sell financial services. The survey which was used to gather the data from more than 1,100 banks and the resulting tables and graphs are designed to help bankers learn more about the budgeting process in bank marketing.

How to Use

This publication is not designed to show how much your individual bank should spend for marketing or in which media. In fact, as you become familiar with the data, you will see that there is quite a diversity in the statistics based on the various factors considered in the survey — asset size, market type and population size.

You will, nevertheless, identify certain trends in these statistics which will help you confirm your beliefs about your own and competing banks' expenditures or perhaps help you refine and improve your own marketing budget.

Comparison between years

The 1983 "Analysis" is in essentially the same format and expenditure categories as the "1982 Analysis". In several cases, comparisons of the two years have been made here. For a more detailed study of data between the two years, you may obtain a copy of the "1982 Analysis" from BMA.

The study also was published in certain years prior to 1982, although the questionnaire in earlier years differed from 1982's and 1983's in many regards. For this reason, we discourage direct comparison of the data here with studies other than 1982's.

Several new features have been incorporated into the data this year: For the table showing total expenditures for marketing in both 1982 and 1983, the smallest and largest budgets for each asset range have been included. New graphs also have been included in the report to help illustrate certain information.

Methodology

A four-page letter/questionnaire was mailed to 8,631 banks nationwide. Banks were chosen by random 'nth' name selection from among two asset groups: Those under $100 million in assets (6,590) and those over $100 million in assets (2,041). The distinction in asset size samples was to compensate for lower response rates among community banks experienced in previous surveys.

A "Second Request" mailing was made to the same list four weeks later, and responses were cut off April 20, 1984.

A total of 1,230 questionnaires had been received at the cutoff date and of these 1,138 were usable returns. They were distributed as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	65	6%
$10 - $25	161	14
$25 - $50	226	20
$50 - $100	204	18
$100 - $250	268	23
$250 - $500	112	10
$500 - $1 billion	44	4
$1 billion - $5 billion	44	4
Over $5 billion	14	1

After the questionnaires were edited and key punched, the data was computer tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

The statistics are presented in several forms: in percentage terms, in dollar averages and in dollar medians.

The percentage computations are based on the number of respondents answering each specific question and are rounded to the nearest whole percentage.

Wherever the word "average" appears, it means the arithmetic mean. Averages for each category are based on the number of banks reporting. Since the number of banks reporting varies from category to category, the sum of the category averages usually will not be the same as the "total" averages.

The median is the middle value from a list of rank ordered values. For example, for the five values 4,000, 4,000, 4,200, 5,000 and 20,000, the median is 4,200 and the average or arithmetic mean is 7,440. There are as many banks above the median as there are below. Because the average is sensitive to extreme values (20,000 in this example) and the median is not, the median often represents a better estimate than the average.

Another feature incorporated into the data this year is the addition of "Minimum and Maximum" values for certain tables. The inclusion of this data shows the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median

Dollar figures are rounded to the nearest $100.

Marketing Planning

The development of the marketing budget is one step in the total marketing planning process. Several methods of allocating dollars for marketing purposes are in common use. These will be described briefly and assessed in terms of advantages and disadvantages. But first, a few comments on writing a marketing plan are in order to set the stage for the budgeting process.

There are important advantages to writing a thorough marketing plan. It brings organization and efficiency to both short term and long term activities of the bank. A written plan provides staff and suppliers time to prepare for and implement programs, and reduce the risk of errors or expense that accompany unplanned marketing. The plan assures that marketing activities occur in an orderly sequence, reaching the right prospects, at the right time, at the lowest expense possible.

Your written plan also is helpful from the organizational standpoint. It alerts others in the bank when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. The plan should be a written document, with input from a wide range of personnel. And, it should be considered an evolutionary document. Each plan your bank prepares is more accurate and thorough than earlier ones. For that reason, consider the plan a flexible document that changes with the marketplace.

The marketing budget is the fifth of six components of a good marketing plan. There are four other steps which should be taken first. The key steps in formulating a marketing plan are the following:

1. ***Situation Analysis:*** Where are we today? What are our strengths and weaknesses? What opportunities and/or threats are facing us?
2. ***Objectives:*** Where do we want to be tomorrow? What specific goals do we want to achieve?
3. ***Strategy:*** What are the available paths to reach our goals? What will our organizational "game plan" be?
4. ***Tactics:*** What, specifically, will we do to implement the strategy? What action plans, timetables, activities, etc.?
5. ***Budget:*** How much will it cost? How will our resources be allocated?
6. ***Evaluation:*** Is it working? How do the actual results compare to our stated objectives?

Approaches to Budgeting

Based on the planning done in the first four steps, the budgeting process can assign the costs for the marketing activities or tasks that will implement the selected strategy and achieve our goals. While advertising is usually the biggest part of the marketing budget, we should be careful not to overlook the other marketing elements: Public relations, sales promotion, sales/customer relations training and marketing research. Costs are assigned to these various functions based on their contribution to reaching our objectives. The budget, thus, becomes **the marketing plan in dollar terms.**

What has been described is called the **task/objective approach** to marketing planning and budgeting, because the budget is built by adding up the costs involved in achieving each marketing task and objective. Unlike other methods in common use, this technique makes the budget an integral part of a total plan based on an analysis of the unique needs of **your own bank.**

Another approach to budgeting is **marginal analysis.** The economic foundation for this method is that promotional expenditures should be increased until each dollar of promotional expense is matched by an additional dollar of profit, the objective being to maximize the profit contribution from marketing. Both revenue and corresponding costs that can be generated from various size budgets are estimated to assess the profit implications of each budget. This can be done by taking the previous year's budget and analyzing the projected changes in performance from higher and lower budgets. While conceptually appealing, this method is very difficult to implement in practice. The major difficulty is isolating the contribution of marketing, apart from other factors, to overall profits. It is difficult to determine how marketing efforts will affect the consumer and how this will translate into increased revenue.

Other more traditional methods use "rules of thumb" which are quicker and easier to use, but not as thorough. They may, however, be helpful to decision-makers as general guidelines. Some of the most commonly used methods include:

- ***Percentage of Assets/Deposits Method:*** Uses a predetermined percentage as the basis for the budget; such as 1/10 of one percent of assets. This method does reflect the fact that larger institutions probably can afford larger budgets. It does not, however, account for other factors that influence marketing expenditure levels such as size of market, market share, opportunities for market development and competitors. Moreover, using current or forecasted assets/deposits as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of deposits and assets, not the other way around.

- ***Incremental Method:*** Simply tacks on a set increase over previous spending — for example, budgeting 10% more than last year. This method is an easy one to implement, often pegging the increase to the rate of inflation. The assumption, however, is made that goals and strategies closely imitate past history. If you are completely satisfied that last year's performance was so good that you only need to repeat the same or more of the same strategies and tactics, this will work. Simply "doing more of the same" may mean that programs that are no longer effective will be continued since no evaluation or justification of programs takes place. In addition, most institutions will want to adapt their plans in the face of external changes: Legislative developments, changing consumer markets, strategies of competitive organizations, etc.
- ***Competitive Parity Approach:*** Is based on matching competitors' expenditures. The actions of your competitors are allowed to dictate your budget. While that may provide the same communications "weight" as your competitors, it fails unless you are the same size **and** have the same goals. The assumption underlying this approach is that all firms in the marketplace have the same opportunities for profitable marketing. More likely, your opportunities will not be entirely the same as your competitors'. For example, a bank introducing a new product/service to compete with a competitor's already established product/service, would probably need heavier promotional effort just to create awareness among customers.
- ***Resources Available Approach:*** Whatever is left over after other functions have been budgeted and a satisfactory profit planned goes to marketing. This method relegates marketing to definitely secondary status and does not consider the role of the marketing department or the objectives of the bank. It is possible that the resulting allocation will be too small to allow marketing to be very effective. At the other extreme, more may be spent than is needed. At some point, the results of increasing the number of advertisements in the local paper, for instance, is negligible. Three ads may not be marginally more effective in creating customer awareness of a new service than would two ads. Furthermore, budgets that fluctuate radically from year to year will make long range planning and the attainment of long term objectives very difficult.

All these "rule of thumb" methods fail to allow for flexibility and do not relate expenditures to your bank's specific marketing objectives. Although a budget created by these arbitrary methods is often referred to as a "budget plan", little planning and analysis has actually taken place. Nonetheless, they are useful as decision parameters and often are used in conjunction with a more analytical procedure like the **task objective** method.

Using A Written Plan

Some final thoughts on planning and budgeting: Systematic planning can mean improved performance for your bank and lead to better coordination internally. Rather than leaving results to chance and merely reacting to events on a day to day basis, a written plan provides you with a blueprint for action and allocates resources for its implementation. Significant savings can result from developing an annual plan. When you develop your plan, keep the following in mind:

1. ***Be specific.*** Your stated objectives and performance standards should be quantified whenever possible to enable you to measure their attainment.
2. ***Allow for contingencies.*** Be prepared to cut or expand your budget to meet changing revenue, profit, cash flow requirements — or to take advantage of newly developed marketing opportunities.
3. ***Periodically review the actual results*** of your promotional effort against your plan. This should be done on at least a monthly basis. The marketing plan should be used as a yardstick to measure your progress.
4. ***Don't do either budgeting or planning in a vacuum.*** The marketing function, more than any other, touches all areas of the bank and requires cooperation from all for the best results. You will want to seek input from others throughout the bank and seek the commitment of top management as well.
5. ***Use your marketing plan.*** Use it as a guide; refer to it, review it, update it. Planning is an ongoing, dynamic process. The greatest possible mistake is to write a marketing plan and put it on the shelf until it's time to write next year's plan. A good marketing plan is threadbare long before the year is over.

Regardless of which method you use in preparing your own bank's budget, this study should be of value in comparing it to other banks' nationwide.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. Obviously, when making comparisons, it's important to be comparing similar items.

Defining terms

The items used on our questionnaire were built around generally accepted industry definitions for consistency among responding banks so that users of this publication could readily compare their expenditures in similar categories.

Nevertheless, check how your bank classifies expenditures to determine if there are any major differences in yours and these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1985 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average, 66% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but is also expensive. Cable television is a growing force in many markets. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations change formats, and audiences, regularly. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken from both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

The expenditures which banks made in 1983 are shown in Tables One through Four. The data is shown among five functional areas of marketing:

- Advertising
- Public relations
- Sales promotion
- Staff Sales Training
- Marketing Research

In turn, each of these five areas is further divided into more detailed items, for example, by media within Advertising.

Tables One and Two show the actual average and median expenditures for respondents in each category. Because not all respondents included detail for each line item, the averages will not necessarily sum to the bottom 'total' line.

Average budgets for respondents ranged from $13,200 for community banks (defined as those under $100 million in assets) to more than $3,869,100 for the largest banks (those over $5 billion in assets).

As pointed out earlier, the averages can be affected by extreme values. For that reason, you may want to consider the mean figures, also, (Table 2 in your comparisons) to learn what a typical bank spends.

The median budgets range from $6,000 for community banks to $3,552,600 for larger banks. For further data and comparisons on the 'total' marketing budgets for both 1982 and 1983, see Table 17.

Percentage allocations

You may find it useful to compare the allocation of your bank's expenditures with other banks' budgets. This data, expressed in percentages, indicates which media and marketing functions banks are emphasizing.

Of the five major marketing functions, Advertising accounts for the largest percentage (57% to 76%) in all asset ranges of banks. In fact, the larger the bank, the larger the percentage it allocates to advertising, based on the 1983 data. Even though advertising already accounted for the highest percentage of the budget in 1982, it still showed increases in each of the nine asset ranges in 1983.

In 1982, the nine categories showed an average allocation of 62% of the marketing budget to Advertising. In 1983, the allocation increased to more than 66%.

Within advertising, newspapers still account for the largest expenditures in all asset ranges. In community banks, the percentage of budget allocated to newspapers is about the same as in larger banks . . . about 15% to 19%.

Newspaper expenditures not only account for the largest share of the advertising budget but also generally rival the total expenditures on Public Relations and clearly exceed all other marketing categories.

Other media

The next largest common expenditure for banks is either radio or television, depending on asset size. In the banks under $500 million in assets, radio generally accounts for 11% or 12% of budget, versus about 9% in the largest banks. On the other hand, television expenditures are directly correlated to asset size and range from 2% for community banks up to 17% for larger banks.

More direct mail

Direct mail appears to be increasing as a percentage of the total budget. It accounted for an average in all banks of 5.1% in 1982 and 6.3% in 1983, with the heaviest usage in larger banks (up to 11% of budgets).

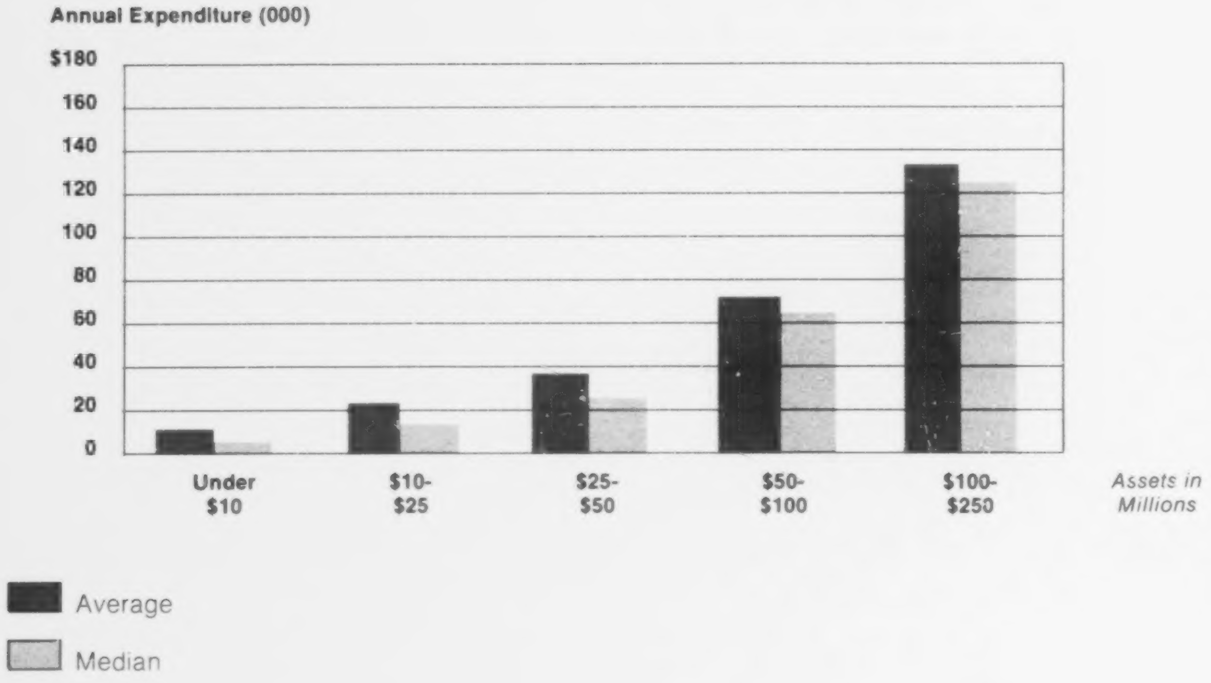
Overall, Public Relations maintained about the same percentage of the budgets as in 1982, averaging about 17% in both 1982 and 1983. Community banks use a larger allocation for donation advertising (9% to 18%) than larger banks (2% to 7%).

Within Sales Promotion, community banks spend larger percentages on specialties (giveaways) at 6% or 7% than do larger banks at 1% to 3%.

As a percentage of the marketing budget, Sales Training and Research still receive the least money, averaging about 2% for Training and about 2.5% for Research. The percentage of budget spent on Research increases as the size of bank increases (2% for community banks versus 3% or 4% for larger banks).

AVERAGE AND MEDIAN MARKETING EXPENDITURES

The two graphs below show the total average and the median expenditures by asset size as taken from Tables One and Two.



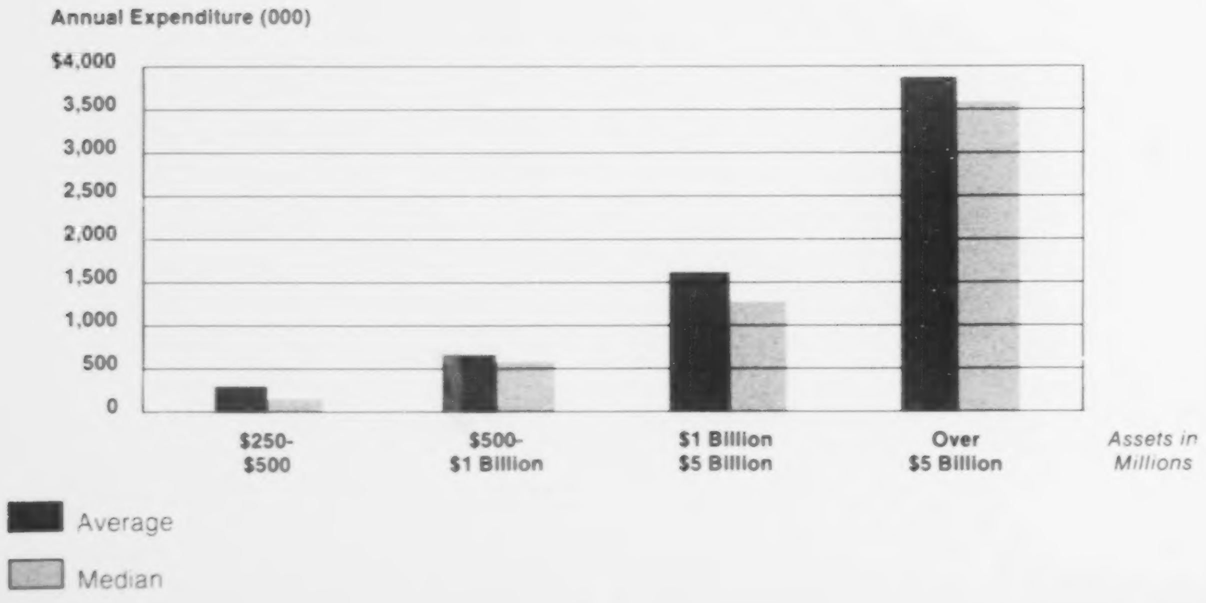


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
Expenditure Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .5	$ 1.4	$ 2.0	$ 4.0	$ 5.0	$ 11.5	$ 20.3	$ 57.7	$ 155.9
Directories (telephone, bank, city, etc.)	.8	1.1	1.7	2.4	3.8	6.3	11.5	27.6	39.0
Newspapers	2.6	4.5	7.4	12.1	25.1	47.1	101.2	258.5	733.5
Television	3.2	4.3	7.8	7.5	16.5	46.0	107.8	335.8	662.0
Radio	2.1	4.0	5.8	11.0	17.7	38.0	54.9	157.7	274.1
Direct Mail (literature, lists, postage, statement stuffers, etc.)	1.1	2.2	3.7	9.4	7.1	18.0	49.5	116.3	410.8
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	2.9	3.9	3.7	6.3	10.9	21.6	30.3	58.2	134.8
Production Expenses (artwork, talent, etc.)	5.9	1.9	3.3	7.0	13.4	29.1	66.7	159.4	314.2
Fees & Commissions (agency, consultants, etc.)	4.1	4.0	4.5	7.5	11.7	22.4	34.4	72.7	213.1
Other Advertising	3.3	4.0	6.3	11.1	11.2	21.5	35.6	122.5	369.1
Sub-Total for Advertising	**8.3**	**12.2**	**22.3**	**46.3**	**90.1**	**210.0**	**421.3**	**1203.4**	**2943.4**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.6	1.6	1.9	2.9	6.1	16.9	29.7	68.4	174.7
Media Relations (press releases, press conferences, etc.)	.3	.6	.8	1.1	1.7	6.1	5.9	8.1	30.9
Publications (community service publications, newsletters, etc.)	.9	2.0	1.6	2.5	3.3	6.3	12.7	24.9	84.3
Special Events (seminars, anniversaries, open house, etc.)	2.3	2.7	3.0	4.2	6.7	11.1	14.7	42.9	53.8
Public Relations Consultants Fees	3.0	10.5	4.3	6.5	7.1	13.6	31.7	26.5	47.3
Donations (donation advertising—schools, churches, civic clubs and related publications)	3.8	2.7	5.1	7.6	11.2	19.3	23.7	84.5	115.9
All Other Public Relations	1.6	2.9	3.9	5.2	6.8	12.2	18.2	24.5	33.7
Sub-Total for Public Relations	**5.0**	**5.5**	**9.1**	**14.7**	**24.0**	**49.2**	**74.4**	**197.0**	**364.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	2.5	2.8	5.0	6.8	9.5	22.2	21.2	51.9	201.3
Newcomer Services (non-salary only)	1.7	1.2	1.1	1.1	1.6	3.5	3.6	15.7	39.3
Specialities (giveaways, such as calendars, pens, etc.)	1.7	2.6	3.7	6.3	7.7	11.6	17.8	23.0	33.4
Point-of-Sale Materials (displays, banners, brochures, etc.)	.7	1.0	1.4	2.4	4.9	11.2	19.9	99.3	131.2
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.3	2.7	1.9	2.6	3.2	17.8	11.1	50.9	349.9
All Other Sales Promotion Expenses	.8	6.7	3.9	5.1	5.3	10.6	26.9	17.7	225.0
Sub-Total for Sales Promotion	**2.4**	**3.8**	**5.8**	**10.6**	**16.7**	**37.1**	**54.5**	**157.1**	**373.3**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	.7	6.0	2.4	2.3	5.4	6.1	17.1	16.8	69.1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1.4	1.2	1.7	2.3	2.3	5.5	4.2	17.4	27.3
All Other Sales Staff/Customer Relations Training	1.4	1.5	2.3	3.0	2.8	4.4	21.4	18.8	44.2
Sub-Total for Staff Sales/Customer Relations Training	**1.5**	**3.2**	**3.2**	**4.5**	**5.7**	**8.4**	**19.7**	**26.9**	**97.8**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	2.0	4.9	4.7	3.7	4.8	10.6	20.2	46.1	117.3
Non-Salary Internal Expenses	2.0	1.0	1.4	1.0	1.8	3.3	7.4	13.2	101.2
All Other Marketing Research	3.0	2.2	2.9	4.7	5.9	17.5	9.5	8.6	76.8
Sub-Total for Marketing Research	**2.6**	**4.8**	**4.8**	**3.8**	**5.0**	**12.4**	**22.5**	**51.9**	**185.8**
All Other Marketing Expenses	4.6	3.4	4.6	10.1	13.1	27.1	82.0	173.3	426.3
Total Marketing Expenditures	**13.2**	**21.1**	**38.2**	**73.2**	**134.9**	**304.1**	**572.5**	**1589.3**	**3869.1**

TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE

(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
Expenditure Type	**Under $10**	**$10- $25**	**$25- $50**	**$50- $100**	**$100- $250**	**$250- $500**	**$500 $1 Billion**	**$1 Billion- $5 Billion**	**$5 Billion or More**
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .3	$ .5	$ 1.0	$ 1.5	$ 2.5	$ 6.2	$ 12.3	$ 47.3	$ 117.6
Directories (telephone, bank, city, etc.)	.5	1.0	1.0	1.5	2.5	4.8	10.0	22.5	25.0
Newspapers	1.0	3.0	5.0	10.0	20.1	38.0	87.2	207.5	425.5
Television	3.0	1.2	3.5	3.1	10.6	36.8	75.0	300.0	495.0
Radio	1.0	2.5	4.5	10.0	15.0	27.5	45.3	119.5	211.2
Direct Mail (literature, lists, postage, statement stuffers, etc.)	1.0	1.0	2.0	2.7	5.0	10.0	25.0	83.7	264.0
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1.0	2.0	2.2	4.3	8.0	16.7	25.0	50.9	66.0
Production Expenses (artwork, talent, etc.)	1.0	1.0	2.0	3.0	8.0	21.8	53.4	113.6	380.8
Fees & Commissions (agency, consultants, etc.)	4.4	2.4	3.0	5.0	9.1	20.0	26.0	62.7	106.8
Other Advertising	2.0	2.6	4.0	3.9	5.0	13.2	13.9	34.0	179.0
Sub-Total for Advertising	**3.6**	**9.0**	**16.9**	**37.0**	**82.1**	**175.2**	**382.8**	**1140.0**	**2425.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.3	1.0	1.0	2.0	4.5	12.3	31.5	81.7	171.4
Media Relations (press releases, press conferences, etc.)	.2	.5	.6	1.0	1.0	1.0	1.5	5.0	20.0
Publications (community service publications, newsletters, etc.)	1.0	1.0	1.0	1.5	2.1	4.0	6.2	17.0	57.6
Special Events (seminars, anniversaries, open house, etc.)	2.0	1.1	2.0	2.3	4.0	5.0	8.4	30.0	25.0
Public Relations Consultants Fees	3.0	2.3	3.0	4.9	5.0	10.0	11.0	15.0	20.0
Donations (include donation advertising—schools, churches, civic clubs)	1.6	2.0	3.0	5.5	7.0	11.4	11.4	16.7	10.0
All Other Public Relations	1.0	2.0	2.3	4.0	4.5	8.2	8.4	16.8	25.0
Sub-Total for Public Relations	**2.0**	**3.4**	**6.2**	**12.0**	**19.5**	**39.4**	**65.2**	**133.6**	**257.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	1.6	2.0	2.0	3.0	4.9	10.0	16.5	25.0	238.0
Newcomer Services (non-salary only)	1.0	1.0	.8	.5	1.0	1.8	2.7	16.0	10.2
Specialities (giveaways, such as calendars, pens, etc.)	1.0	2.0	3.0	5.0	5.5	8.0	10.0	14.0	20.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	1.0	1.0	1.0	1.1	3.0	8.0	14.6	48.9	67.6
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	.3	1.1	1.0	1.0	2.0	5.0	5.0	20.5	364.0
All Other Sales Promotion Expenses	1.0	1.0	2.0	2.5	2.6	4.0	13.1	12.1	109.9
Sub-Total for Sales Promotion	**1.8**	**2.9**	**4.7**	**8.3**	**12.0**	**25.2**	**47.5**	**105.0**	**232.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	.5	2.0	1.0	1.5	2.5	4.0	12.0	15.0	56.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.5	1.0	1.0	1.5	1.5	2.0	3.0	20.0	14.0
All Other Sales Staff/Customer Relations Training	.5	1.2	1.0	2.0	1.6	2.5	15.0	7.4	40.0
Sub-Total for Staff Sales/Customer Relations Training	**1.0**	**1.5**	**1.5**	**2.2**	**3.0**	**4.0**	**18.0**	**20.0**	**70.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	1.0	2.0	1.0	1.9	2.1	8.0	15.0	28.4	112.0
Non-Salary Internal Expenses	2.0	1.0	1.0	1.0	1.0	2.0	3.2	5.0	75.0
All Other Marketing Research	3.0	1.5	.5	1.0	2.0	5.0	3.7	4.0	24.8
Sub-Total for Marketing Research	**1.4**	**2.0**	**1.0**	**2.0**	**2.5**	**8.1**	**17.0**	**27.0**	**140.0**
All Other Marketing Expenses	1.5	1.0	3.0	8.5	7.9	10.4	27.3	96.8	29.4
Total Marketing Expenditures	**6.0**	**16.0**	**28.5**	**62.7**	**122.8**	**267.2**	**537.3**	**1368.0**	**3552.6**

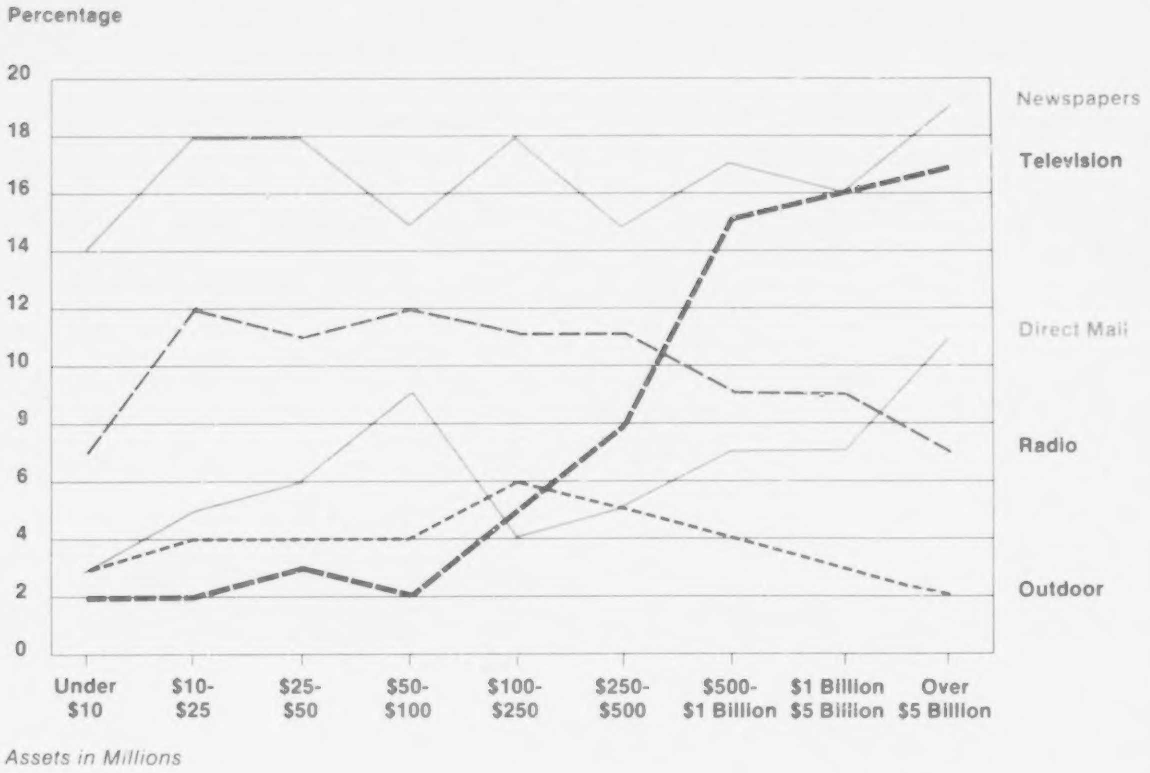
TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1983 BY ASSET SIZE

Expenditure Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
	Asset Size in Millions								
ADVERTISING									
Magazines (consumer, trade, etc.)	*%	1%	1%	1%	1%	3%	2%	3%	4%
Directories (telephone, bank, city, etc.)	3	3	3	2	2	2	2	2	1
Newspapers	14	18	18	15	18	15	17	13	19
Television	2	2	3	2	5	8	15	16	17
Radio	7	12	11	12	11	11	9	9	7
Direct Mail (literature, lists, postage, statement stuffers, etc.)	3	5	6	9	4	6	7	7	11
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	3	4	4	4	6	5	4	3	2
Production Expenses (artwork, talent, etc.)	5	2	3	5	8	8	11	9	8
Fees & Commissions (agency, consultants, etc.)	2	3	3	5	6	5	5	3	3
Other Advertising	7	5	4	4	3	3	2	4	5
Sub-Total for Advertising	**59**	**57**	**58**	**63**	**67**	**69**	**74**	**74**	**76**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	1	2	2	2	3	4	3	3	3
Media Relations (press releases, press conferences, etc.)	*	*	*	*	*	1	*	*	1
Publications (community service publications, newsletters, etc.)	1	2	1	1	1	1	1	1	1
Special Events (seminars, anniversaries, open house, etc.)	2	5	4	3	3	3	2	2	1
Public Relations Consultants Fees	*	2	*	*	*	*	1	1	1
Donations (include donation advertising—schools, churches, civic clubs)	18	10	11	9	7	5	4	4	2
All Other Public Relations	1	2	3	2	2	2	1	1	*
Sub-Total for Public Relations	**26**	**24**	**23**	**19**	**17**	**16**	**12**	**12**	**9**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	2	1	2	2	2	2	1	1	1
Newcomer Services (non-salary only)	1	*	*	*	*	*	*	*	*
Specialities (giveaways, such as calendars, pens, etc.)	6	7	7	7	5	3	3	1	1
Point-of-Sale Materials (displays, banners, brochures, etc.)	1	1	1	1	2	2	3	5	3
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	*	2	1	1	1	3	1	2	3
All Other Sales Promotion Expenses	*	1	1	1	1	1	1	*	2
Sub-Total for Sales Promotion	**12**	**13**	**13**	**13**	**12**	**11**	**9**	**9**	**10**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	*	3	1	1	1	1	1	*	1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1	1	1	1	1	*	*	*	*
All Other Sales Staff/Customer Relations Training	1	1	1	1	*	*	1	*	*
Sub-Total for Staff Sales/Customer Relations Training	**2**	**4**	**3**	**3**	**2**	**1**	**2**	**1**	**1**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	*	2	1	1	1	2	2	2	3
Non-Salary Internal Expenses	*	*	*	*	*	*	*		1
All Other Marketing Research	*	*	*	*	*	*	*	*	*
Sub-Total for Marketing Research	**1**	**2**	**3**	**1**	**2**	**3**	**3**	**3**	**4**
All Other Marketing Expenses	2	1	1	1	2	2	4	2	2
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)



WHERE THE BUDGET IS SPENT

While the data in Table 3 shows what share of the budget is allocated to various expenditures, Table 4 shows the percentage of banks which indicated an expenditure of each type.

Virtually all banks (94% to 100%) showed expenditures for advertising and nearly all (68% to 97%) did for Public Relations.

Within the Advertising budget, the medium the most banks used was newspapers (from 71% to 100%). Directories (such as telephone) were second with 43% to 100%, followed by radio (40% to 100%). Direct mail received expenditures in 34% to 100% of banks, and magazines in 11% to 93%.

Although Sales Promotion received expenditures in most banks (63% to 100%), Staff Sales/Customer Relations Training was lower with 18% to 59% and Marketing Research received 6% to 93%. Of these categories, Marketing Research was the most closely correlated to asset size, with 80% to 93% of the largest banks reporting expenditures on research.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1983 BY ASSET SIZE

	Asset Size in Millions								
Expenditure Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500 $1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
ADVERTISING									
Magazines (consumer, trade, etc.)	11%	19%	20%	25%	40%	67%	68%	91%	93%
Directories (telephone, bank, city, etc.)	43	57	62	76	86	89	86	91	100
Newspapers	71	86	93	92	96	96	95	95	100
Television	6	9	14	21	38	54	77	75	100
Radio	40	65	75	77	86	90	93	91	100
Direct Mail (literature, lists, postage, statement stuffers, etc.)	34	47	63	70	83	87	84	93	100
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	15	22	39	50	69	77	77	70	71
Production Expenses (artwork, talent, etc.)	12	17	34	57	77	88	91	89	93
Fees & Commissions (agency, consultants, etc.)	8	17	28	50	64	71	75	61	50
Other Advertising	28	24	26	26	38	41	39	50	50
Sub-Total for Advertising	**94**	**99**	**99**	**100**	**100**	**100**	**100**	**98**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	18	29	39	57	62	65	66	70	64
Media Relations (press releases, press conferences, etc.)	3	3	9	9	23	39	36	64	79
Publications (community service publications, newsletters, etc.)	11	24	30	43	50	51	43	64	64
Special Events (seminars, anniversaries, open house, etc.)	12	39	56	60	64	69	68	80	57
Public Relations Consultants Fees	2	4	1	4	8	8	9	32	57
Donations (include donation advertising—schools, churches, civic clubs)	62	76	85	83	87	81	86	70	57
All Other Public Relations	11	12	25	29	32	38	43	41	57
Sub-Total for Public Relations	**68**	**89**	**97**	**97**	**98**	**97**	**93**	**93**	**93**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	12	6	14	23	33	24	39	34	21
Newcomer Services (non-salary only)	6	4	13	20	34	29	30	27	36
Specialities (giveaways, such as calendars, pens, etc.)	49	61	74	78	84	80	84	80	71
Point-of-Sale Materials (displays, banners, brochures, etc.)	11	16	30	43	65	68	77	75	79
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	2	15	18	35	37	44	57	50	36
All Other Sales Promotion Expenses	5	3	8	13	14	20	25	25	29
Sub-Total for Sales Promotion	**63**	**73**	**82**	**91**	**94**	**93**	**98**	**93**	**100**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	5	9	21	22	32	31	39	36	36
Non-Salary Internal Expenses (development, printing, classroom, etc.)	9	11	15	23	32	27	30	34	29
All Other Sales Staff/Customer Relations Training	6	7	14	13	18	13	14	20	21
Sub-Total for Staff Sales/Customer Relations Training	**18**	**27**	**41**	**46**	**59**	**47**	**55**	**59**	**43**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	3	7	12	19	31	54	66	68	86
Non-Salary Internal Expenses	2	1	8	6	18	17	36	43	43
All Other Marketing Research	2	2	3	5	7	8	18	16	21
Sub-Total for Marketing Research	**6**	**9**	**20**	**28**	**47**	**63**	**80**	**86**	**93**
All Other Marketing Expenses	6	6	6	8	19	19	30	20	14
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGET BY MARKET SIZE AND TYPE

The respondent banks' marketing budgets are related to their market size and type in Tables 5 through 7. While Table 5 shows the detail of the budget over four population ranges, Tables 6 and 7 show the total of the budget over all asset and population ranges, and all market types.

When using Tables 6 and 7, be aware of the smaller samples in a few of the categories and the effect of projecting the data to other environments. Among the respondents, about 65% were located in markets of 100,000 persons or less, 23% in markets of 100,000 to 500,000; 5% were in markets from 500,000 to 1 million, and 7% were in markets of 1 million or more.

Tables 6 and 7 also have additional data this year. They include the 'minimum and maximum' expenditures reported along with the median and average. These values, which represent the highest and lowest expenditures in various categories, show you the range of respondents' budgets to help you place your own in perspective.

The information here can readily be compared to your own bank's environment. For example, you can use Table 5 to find the average expenditures for any of the more than 30 different categories based on your market's population. You can use Tables 6 and 7 to determine typical overall budgets, narrowing the total down to the size of your bank, and size and type of your market.

As demonstrated in these tables, market size has a significant influence on marketing expenditures. For example, in Table 6, a bank of $200 million spends, on average, about $117,100 in a market of under 100,000 persons. In a market up to 500,000 persons, the expenditure increases to $145,700; in a market up to 1 million persons it increases to $206,400, and in a market of more than one million, the average expenditure increases to $201,000.

Although these tables are useful for comparison purposes, they should not be considered absolutes. Your marketing plan, as mentioned earlier in the "Budgeting for Bank Marketing" section should take into consideration the factors of your marketplace such as size, available media, and competitors.

Even banks in smaller asset categories have been able to compete very effectively with the largest institutions by seeking out opportunities in a special niche . . . such as serving smaller businesses, professional firms, or others, rather than confronting the market at large with a smaller budget.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1983, $000)

	Population Size			
Expenditure Type	Under 100,000	100,000-500,000	500.000-1 Million	1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.7	$ 8.3	$ 27.7	$ 65.4
Directories (telephone, bank, city, etc.)	2.2	5.4	12.7	21.6
Newspapers	10.6	36.8	108.5	266.8
Television	9.4	39.9	110.3	421.4
Radio	9.7	24.7	55.8	162.0
Direct Mail (literature, lists, postage, statement stuffers, etc.)	3.6	12.6	51.9	141.9
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	6.3	16.2	33.7	60.0
Production Expenses (artwork, talent, etc.)	7.5	23.5	69.0	130.4
Fees & Commissions (agency, consultants, etc.)	8.1	16.1	28.8	76.9
Other Advertising	7.3	16.4	48.9	170.6
Sub-Total for Advertising	**35.3**	**139.9**	**426.4**	**1081.9**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	3.5	10.2	38.2	64.1
Media Relations (press releases, press conferences, etc.)	1.1	4.1	4.8	14.4
Publications (community service publications, newsletters, etc.)	2.5	4.2	12.6	34.0
Special Events (seminars, anniversaries, open house, etc.)	3.5	9.3	18.6	33.8
Public Relations Consultants Fees	5.5	12.4	21.4	33.5
Donations (include donation advertising—schools, churches, civic clubs)	6.6	13.8	37.5	51.0
All Other Public Relations	5.3	8.3	26.6	20.1
Sub-Total for Public Relations	**12.4**	**32.3**	**97.2**	**145.7**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	5.9	11.5	28.6	60.2
Newcomer Services (non-salary only)	1.6	2.4	3.2	26.0
Specialities (giveaways, such as calendars, pens, etc.)	5.2	8.9	14.8	20.3
Point-of-Sale Materials (displays, banners, brochures, etc.)	2.6	7.6	23.9	71.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	2.5	8.3	10.9	83.2
All Other Sales Promotion Expenses	4.9	10.3	10.2	91.1
Sub-Total for Sales Promotion	**8.7**	**23.2**	**55.7**	**147.2**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	2.9	7.0	11.1	21.2
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2.0	3.2	2.8	16.3
All Other Sales Staff/Customer Relations Training	2.4	3.8	7.2	27.8
Sub-Total for Staff Sales/Customer Relations Training	**3.5**	**7.9**	**11.2**	**30.6**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	3.9	10.6	21.1	51.6
Non-Salary Internal Expenses	1.4	3.3	7.5	37.1
All Other Marketing Research	3.9	13.4	10.5	24.5
Sub-Total for Marketing Research	**4.1**	**11.4**	**22.3**	**67.3**
All Other Marketing Expenses	11.7	24.5	105.3	127.9
Total Marketing Expenditures	**56.1**	**202.5**	**593.8**	**1422.5**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE

(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
Population Size	Under $10	$10- $25	$25- $50	$50- $100	$100- $250	$250- $500	$500 $1 Billion	$1 Billion- $5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	62	149	197	153	134	18	d		
Average Expenditure	**$ 13.1**	**$ 18.9**	**$ 34.4**	**$ 64.9**	**$117.1**	**$207.7**			
Minimum Expenditure	2	3	4.6	7.2	17.7	74.0			
Maximum Expenditure	142.0	101.1	197.0	213.0	420.5	336.6			
Median Expenditure	**5.0**	**14.5**	**28.0**	**60.7**	**102.5**	**221.0**			
100,000 - 500,000									
Number of Reporting Banks	2	8	17	39	100	61	24	2	
Average Expenditure	**17.8**	**26.4**	**77.7**	**76.1**	**145.7**	**303.0**	**501.8**	**794.6**	
Minimum Expenditure	12.0	6.9	9.3	12.7	29.0	68.5	211.2	710.5	
Maximum Expenditure	23.5	56.0	240.0	338.2	386.5	1120.0	860.0	878.7	
Median Expenditure	**12.0**	**22.0**	**61.0**	**58.6**	**136.6**	**282.4**	**455.0**	**710.5**	
500,000 - 1 Million									
Number of Reporting Banks		d	2	2	12	15	8	11	
Average Expenditure			**33.8**	**114.1**	**206.4**	**408.4**	**655.7**	**1450.8**	
Minimum Expenditure			18.9	109.0	68.0	144.0	351.7	681.0	
Maximum Expenditure			48.6	119.2	596.4	784.6	1183.0	3070.0	
Median Expenditure			**18.9**	**109.0**	**161.7**	**440.0**	**597.4**	**1161.0**	
1 Million or More									
Number of Reporting Banks	d	d	4	4	8	15	8	27	14
Average Expenditure			**62.7**	**70.1**	**201.0**	**306.9**	**806.3**	**1818.9**	**3869.1**
Minimum Expenditure			8.2	64.0	31.0	121.5	406.7	171.4	431.7
Maximum Expenditure			218.0	81.0	339.3	813.0	1265.0	3135.2	6392.0
Median Expenditure			**12.0**	**67.0**	**215.0**	**264.4**	**665.8**	**1867.0**	**3552.6**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1983, $000)

	Market Type					
Population Size	**State-wide**	**Urban SMSA**	**Suburban SMSA**	**Urban Not SMSA**	**Suburban Not SMSA**	**Rural**
Under 100,000						
Number of Reporting Banks	3	43	81	76	58	430
Average Expenditure	**$182.5**	**$102.9**	**$ 71.0**	**$ 88.4**	**$ 71.8**	**$ 39.2**
Minimum Expenditure	11.0	5.1	6.8	6.0	1.4	.2
Maximum Expenditure	296.0	420.5	259.0	316.0	336.6	335.0
Median Expenditure	**240.5**	**91.5**	**56.1**	**67.1**	**57.0**	**25.5**
100,000 - 500,000						
Number of Reporting Banks	4	80	91	30	18	15
Average Expenditure	**219.4**	**225.8**	**191.4**	**164.2**	**122.1**	**173.6**
Minimum Expenditure	67.0	21.0	9.3	22.0	25.0	6.9
Maximum Expenditure	412.0	878.7	1120.0	595.0	195.8	386.5
Median Expenditure	**121.7**	**168.5**	**128.3**	**124.0**	**112.0**	**154.1**
500,000 - 1 Million						
Number of Reporting Banks	12	17	16	3	d	d
Average Expenditure	**857.8**	**718.2**	**326.6**	**270.8**		
Minimum Expenditure	178.2	18.9	48.6	161.7		
Maximum Expenditure	2680.4	3070.0	1161.0	459.5		
Median Expenditure	**627.0**	**551.2**	**171.8**	**191.2**		
1 Million or More						
Number of Reporting Banks	25	36	12	d	2	
Average Expenditure	**2280.6**	**1334.0**	**554.0**		**616.8**	
Minimum Expenditure	234.8	12.0	10.1		142.2	
Maximum Expenditure	6392.0	6074.7	3313.0		1091.4	
Median Expenditure	**2487.0**	**665.8**	**171.4**		**142.2**	

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

BUDGETING FOR SERVICES

To determine which areas banks were emphasizing in their budgets, survey respondents were asked to allocate their marketing budget by percentage over four areas:

A) Retail (to individuals)
B) Commercial/Corporate (to businesses)
C) Trust
D) Institutional

The results, shown in Table 8, indicate that Retail services still account for the majority (about 60%) of expenditures. Commercial/corporate takes a wide range, depending on asset size, of from 11% to more than 20%. In banks over $1 billion, Trust marketing is taking an increasingly larger share (7% to 8% in 1983 versus only 4.6% to 6.9% in 1982).

Institutional advertising also accounted for a larger share of the total budget in 1983 than it did in 1982. This could be related to the larger number of mergers and resulting identity campaigns.

As shown by Table 11, actual average expenditures for Retail services varied from $10,400 to more than $2,651,000, depending on asset size. Commercial/corporate ranged from $5,000 to $430,800, and Institutional marketing ranged from $6,400 to $651,100.

In general, median expenditures were somewhat lower and are shown in Table 12.

Several observations can be made from the data regarding allocations: The percentage of budget spent on Commercial/corporate generally decreases with larger asset sizes. The amount for Trust marketing increases with bank size to a maximum of 8.4% of the total (in banks from $1 billion to $5 billion). Those same institutions accounted for the largest share of trust marketing in the 1982 survey.

As shown in Table 9, nearly all institutions reported expenditures for Retail services in 1983. The percentage reporting expenditures on Commercial/corporate increases with asset size, up to 92% for the largest bank. Only 9% to 39% of the community banks market Trust services while 56% to 85% of the larger banks do.

Institutional advertising also increases with asset size but also reveals a higher concentration in the middle asset ranges, reaching 90% in the $250 million to $500 million banks.

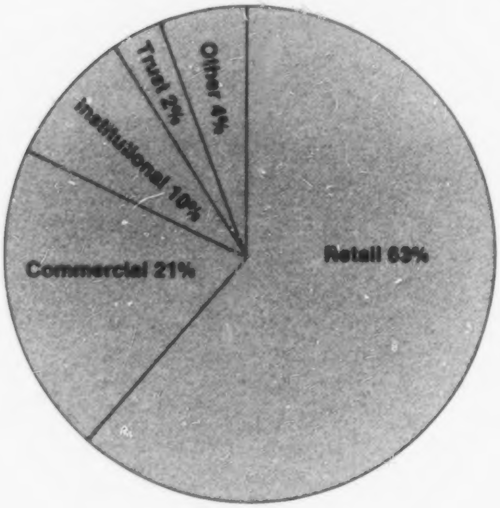
TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE BY ASSET SIZE

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	63.3%	69.5%	63.4%	57.1%	54.8%	56.2%	62.6%	57.3%	67.5%
Commercial/Corporate (business)	13.8	20.7	23.5	23.4	19.5	17.4	15.4	14.6	11.2
Trust	1.5	1.4	1.5	3.9	5.3	4.8	4.7	8.4	7.4
Institutional	10.9	6.7	8.9	13.8	17.6	18.8	14.5	17.9	12.3
Other	10.5	1.8	2.7	1.8	2.8	2.8	2.8	1.8	2.4
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Banks under $100 million



Banks over $100 million

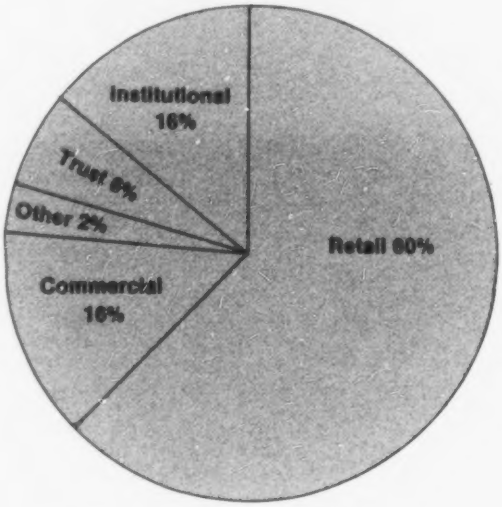


TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE BY ASSET SIZE

Service Type	Asset Size in Millions - 1983								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	89%	98%	96%	98%	98%	98%	100%	95%	100%
Commercial/Corporate (business)	57	79	86	89	87	87	83	92	92
Trust	9	9	17	39	56	58	73	77	85
Institutional	30	32	40	61	79	90	80	77	77
Other	20	8	11	9	23	18	22	28	31
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1983, $000)

Service Type	Population Size: Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$35.0	$114.5	$366.8	$929.8
Commercial/Corporate (business)	13.6	46.7	88.4	220.0
Trust	9.6	19.5	63.5	159.3
Institutional	17.1	48.3	157.5	253.8
Other	11.9	25.2	59.1	142.7

TABLE 11
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1983, $000)

Service Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$10.4	$14.7	$24.9	$45.3	$74.9	$166.9	$376.6	$1033.7	$2651.0
Commercial/Corporate (business)	5.0	7.4	11.6	17.9	31.6	68.7	108.1	250.0	430.8
Trust	5.6	18.3	4.9	7.1	12.5	24.2	37.4	135.4	298.2
Institutional	6.4	5.2	10.1	15.8	33.2	61.1	99.8	371.9	651.1
Other	4.9	3.4	8.0	15.1	16.1	45.2	76.2	99.1	250.7

TABLE 12
MEDIAN MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1983, $000)

Service Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$5.0	$11.2	$18.8	$30.9	$65.4	$146.5	$307.6	$986.1	$3019.7
Commercial/Corporate (business)	2.0	4.5	6.6	14.0	21.6	33.7	66.3	186.7	319.8
Trust	5.1	1.7	1.9	5.2	8.4	14.4	29.6	68.1	257.6
Institutional	5.8	2.2	5.8	9.9	22.3	47.5	73.0	186.7	500.0
Other	3.5	1.6	4.0	4.4	11.3	23.1	40.7	53.6	73.6

USE AND COMPENSATION OF ADVERTISING AGENCIES

This section of the report deals with the methods banks primarily use for creating their advertising and how they pay for it.

One addition has been made to the data this year. Last year's category of "Bank staff or holding company staff" has been split into two individual categories to provide the reader with more useful information.

Advertising agency usage correlates directly with bank asset size. For example, as shown in Table 13, in banks under $10 million only 14% use an agency, while in banks over $1 billion 89% to 100% use an agency.

Conversely, community banks rely on bank staff in 52% to 74% of the cases, while in banks over $1 billion only 7% use bank staff, and in banks over $5 billion none reported the bank staff was the primary source for advertising.

Usage of Holding Companies

In general, holding companies were not cited often as a primary source of advertising. The figures ranged from 2% up to 7% for larger banks. And, among respondents checking "other" methods for preparing advertising, highest in the community bank ranges, most indicated they rely on one or more free-lance arrangements or on media representatives.

Tables 14 and 15 show the source of advertising by type of market and population of market. They indicate heaviest usage of bank staff in rural markets and highest usage of both agencies (74%) and holding companies (9%) in statewide markets.

Agency Compensation

Banks which indicated on the survey that they used an agency as their primary source of advertising also were asked how the agency was compensated.

Table 16 shows that a fee basis is the most common type of compensation in community banks but that only 23% of the largest banks use it.

Less than 10% of community banks use media commissions as compensation while more than 54% of larger banks do.

An arrangement of both fees and commissions is common in many banks, especially those in the middle asset ranges. In smaller banks, media commissions probably are not sufficient to compensate agencies so the bank relies on a fee arrangement. At the same time, a flat commission on a very large media budget in larger banks could overcompensate an agency and it might be fairer to both parties to develop a combination of fees and commissions.

For further information on actual average or median dollar amounts paid to agencies, see the data in Tables 1 and 2.

SOURCE FOR CREATING ADVERTISING

(data compiled from Table 13)

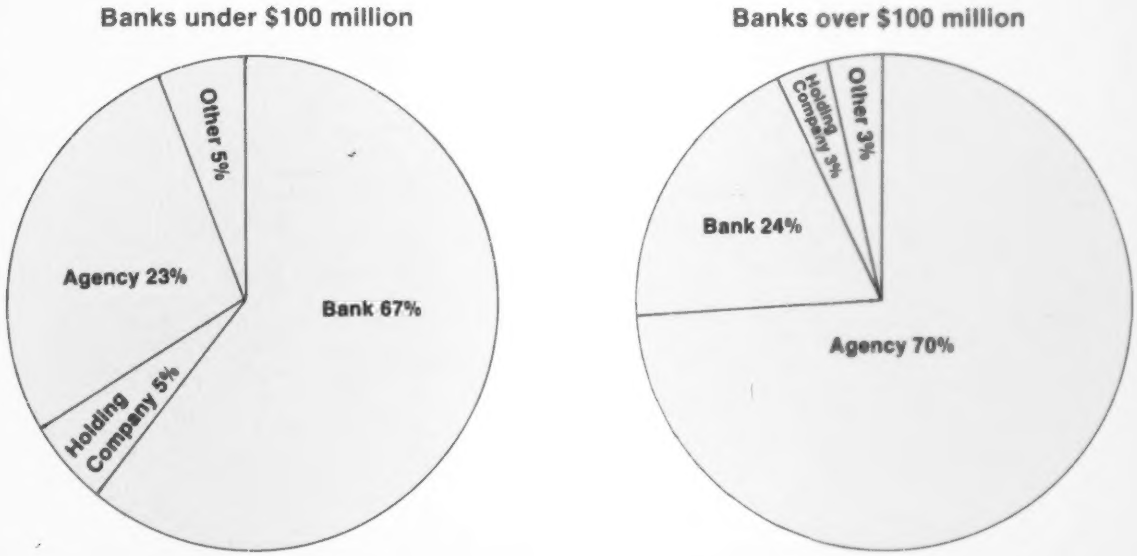


TABLE 13
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1983

(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
Primary Source	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	74%	69%	71%	52%	36%	12%	14%	7%	
Used Holding Company Staff	2	8	5	6	3	2	7		
Used Outside Agency	14	19	20	39	58	83	77	89	100%
Other	11	4	4	2	3	4	2	5	
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

TABLE 14
PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

Population Size	Used Bank Staff	Used Holding Company Staff	Used Outside Agency	Other
Under 100,000	62%	5%	30%	3%
100,000 But Less Than 500,000	30	5	61	4
500,000 But Less Than One Million	10	4	76	10
One Million or More	16	2	80	2

TABLE 15
PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

Market Type	Used Bank Staff	Used Holding Company Staff	Used Outside Agency	Other
Statewide	9%	9%	74%	8%
SMSA - Urban	27	3	67	3
SMSA - Suburban	35	7	53	5
Urban But Not SMSA	47	6	43	4
Suburban But Not SMSA	51	2	43	4
Rural (none of the above)	68	3	26	3

TABLE 16
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1983

(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
Compensation Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500 $1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fee Basis	71%	83%	62%	71%	53%	41%	24%	28%	23%
Media Commissions		7	5	3	7	12	9	23	54%
Both	29	10	33	27	41	47	67	49	23

1982 and 1983 MARKETING BUDGETS

TABLE 17
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1982/1983 BY ASSET SIZE

(All Reporting Banks - 1983, $000)

	Asset Size in Millions								
	Under $10	$10- $25	$25- $50	$50- $100	$100- $250	$250- $500	$500 $1 Billion	$1 Billion- $5 Billion	$5 Billion or More
1983 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	65	161	226	204	268	112	44	44	14
Average Expenditure	**$ 13.2**	**$ 21.1**	**$ 38.2**	**$ 73.2**	**$134.9**	**$304.1**	**$572.5**	**$1589.3**	**$3869.1**
Minimum Expenditure	2	3	4.6	7.2	17.7	68.5	92.4	160.6	431.7
Maximum Expenditure	142.0	178.2	240.0	1125.0	596.4	1120.0	1265.0	3135.2	6392.0
Median Expenditure	**6.0**	**16.0**	**28.5**	**62.7**	**122.8**	**267.2**	**537.3**	**1368.0**	**3552.6**
1982 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	44	117	166	166	230	94	40	33	9
Average Expenditure	**$ 15.4**	**$ 18.2**	**$ 33.8**	**$ 63.4**	**$131.7**	**$281.9**	**$578.2**	**$1380.9**	**$2977.1**
Minimum Expenditure	2	5	2.9	1.0	6.0	50.0	250.0	171.4	1650.0
Maximum Expenditure	127.5	115.0	175.0	800.0	841.0	683.0	1265.0	6000.0	4500.0
Median Expenditure	**6.0**	**15.0**	**28.0**	**55.6**	**116.2**	**259.2**	**526.0**	**1400.0**	**3000.0**

A summary of total marketing expenditures for both 1982 and 1983 is shown in Table 17. In each table, both the average and median budgets are indicated along with the number of responding banks in each asset category. In this year's report, the data has been expanded to include the 'minimum and maximum' expenditures for both years to help the reader see the range of expenditures.

The budgets for 1983 showed increases over 1982 in nearly all categories.

While it would be possible to make estimates from this data on what the banking industry at large spends on marketing, there are a number of limiting biases. The number of banks in each asset range changes each year. Further, responding banks, as mentioned earlier, may not make expenditures typical of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine asset ranges.

Part I. U.S. BANK MARKETING EXPENDITURES (excluding salaries)

Please allocate your 1983 non-salary marketing expenditures as best you can among the following:

INSTRUCTIONS FOR COMPLETING FORM

- Enter data in thousands (Ex. $74,500 = 74.5) (Ex. $7,400,000 = 7,400)
- Please try to indicate an amount (if any) for each of the A through E bold subtotal lines, even if you don't have data for all the items within that category
- If your bank is part of a holding company, please report only your bank's figures
- If you have questions, call Jeanne Devine at BMA, 312/782-1442

(In $000)

A. ADVERTISING

1. Magazines (consumer, trade, etc.) .... $ ______
2. Directories (telephone, bank, city, etc.) .... ______
3. Newspapers .... ______
4. Television .... ______
5. Radio .... ______
6. Direct Mail (literature, lists, postage, statement stuffers, etc.) .... ______
7. Outdoor and transit (billboards, taxi, bus, train cards, etc.) .... ______
8. Production expenses (artwork, talent, printing/filming, etc.) .... ______
9. Fees and commissions (advertising agency, media representative advertising/marketing consultants, etc.) .... ______
10. All other advertising (please describe) ______ ______

A) Sub-Total for Advertising .... $ ______

B. PUBLIC RELATIONS

1. Stockholder/investment community (annual report, meetings, etc.) .... ______
2. Media relations (press releases, press conferences etc.) .... ______
3. Publications (community service publications, newsletters, etc.) .... ______
4. Special events (seminars, anniversaries, open house, etc.) .... ______
5. Public relations consultants fees .... ______
6. Donations (include donation advertising — schools, churches, civic clubs & related publications) .... ______
7. All other public relations (please describe) ______ ______

B) Sub-Total for Public Relations ______ $ ______

C. SALES PROMOTION

1. Net premium expense (cost of premiums less revenues from premium sales) ______
2. Newcomer services (non-salary only) .... ______
3. Specialties (giveaways, such as calendars, pens, etc.) .... ______
4. Point-of-sale materials (displays, banners, brochures, etc.) .... ______
5. Employee incentives (non-salary expenses directly related to employee sales/customer relations efforts) .... ______
6. All other sales promotion expenses (please describe) ______ ______

C) Sub-Total for Sales Promotion .... $ ______

D. STAFF SALES/CUSTOMER RELATIONS TRAINING

1. External expenses (consultant fees, materials, facilities, etc.) .... ______
2. Non-salary internal expenses (development, printing, classroom, etc.) .... ______
3. All other staff sales/customer relations training (please describe) ______ ______

D) Sub-Total for Staff Sales/Customer Relations Training $ ______

E. MARKETING RESEARCH

1. External expenses (supplier expenses such as consultants, field firms, data processing firms, etc.) .... ______
2. Non-salary internal expenses .... ______
3. All other marketing research (please describe) ______ ______

E) Sub-Total for Marketing Research .... $ ______

F. ALL OTHER NON-SALARY MARKETING EXPENSES NOT ACCOUNTED FOR IN A—E ABOVE (use a zero if none) ______ $ ______

Total 1983 Non-Salary Marketing Expenditures (Sum of A--F above) .... $ ______

Part II. SERVICE ALLOCATION OF 1983 NON-SALARY MARKETING EXPENDITURES

Please indicate the approximate percentage amount of your total marketing budget allocated to each of these five categories:

______% Retail (Individuals)
______% Commercial/corporate (Business)
______% Trust
______% Institutional
______% Other (Specify ______)
100 % **Total**

Part III. GENERAL INFORMATION (Place a single check under each question)

A. What were your bank's total assets as of December 31, 1983?

- ☐ Under $10 million
- ☐ $10 million but less than $25 million
- ☐ $25 million but less than $50 million
- ☐ $50 million but less than $100 million
- ☐ $100 million but less than $250 million
- ☐ $250 million but less than $500 million
- ☐ $500 million but less than $1 billion
- ☐ $1 billion but less than $5 billion
- ☐ $5 billion or more

B. Was your bank part of a holding company in 1983?

- ☐ No
- ☐ Yes
- ☐ Yes

C. For retail business, what best describes the kind of market in which your bank competes? (check appropriate response; note: SMSA is Standard Metropolitan Statistical Area)

- ☐ Statewide
- ☐ SMSA — Urban
- ☐ SMSA — Suburban
- ☐ Urban but not SMSA
- ☐ Suburban but not SMSA
- ☐ Rural (none of the above)

D. What is the approximate population of the retail trade area checked in E above? (check appropriate category)

- ☐ Under 100,000
- ☐ 100,000 but less than 500,000
- ☐ 500,000 but less than one million
- ☐ One million or more

E. Please indicate the approximate Total 1982 Non-Salary Marketing Expenditures for your bank:

$______ = 1982 (in $000)

Part IV. AGENCY COMPENSATION

A. Which one of the following was the bank's primary source for creating advertising during 1983?.

- ☐ Used bank staff
- ☐ Used holding company staff
- ☐ Used outside agency
- ☐ Other (specify) ______

B. (Answer only if you indicated use of an outside agency above) Please indicate how your agency was compensated for services in 1983.

- ☐ Fee basis (retainer, project, hourly, etc.)
- ☐ Media Commissions
- ☐ Both

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Analysis of 1984 Bank Marketing Expenditures

1985 Research Report
Advertising Department

3rd
Edition

BANK MARKETING ASSOCIATION
309 West Washington Street • Chicago, Illinois 60606

TO FINANCIAL MARKETERS:

This year's "Analysis of Bank Marketing Expenditures" should be of great help to you in preparing and tracking your marketing budget.

As competition continues to increase, the need for adequate and accountable budgets also grows. This publication should be helpful to all readers in developing their own marketing strategies and budgets to compete in their marketplace.

The study is based on a sampling of the entire U.S. commercial banking industry. For comparison purposes, the data is reported in essentially the same formats as last year's "Analysis."

We are most grateful for the kind cooperation of the more than 1,100 bankers nationwide who took the time and effort to complete the lengthy questionnaire. Without their participation, this study would not have been possible.

Cordially,

Ray Cheseldine

Raymond M. Cheseldine
Executive Vice President

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HOW THE SURVEY WAS CONDUCTED

The "Analysis" contains more than 2,000 individual statistics on how banks in the United States spend their marketing budget to sell financial services. The survey which was used to gather the data from more than 1,100 banks and the resulting tables and graphs are designed to help bankers learn more about the budgeting process in bank marketing.

How to Use

This publication is not designed to show how much your individual bank should spend for marketing or in which media. In fact, as you become familiar with the data, you will see that there is quite a diversity in the statistics based on the various factors considered in the survey — asset size, market type and population size.

You will, nevertheless, identify certain trends in these statistics which will help you confirm your beliefs about your own and competing banks' expenditures or perhaps help you refine and improve your own marketing budget.

Comparison Between Years

The 1984 "Analysis" is in essentially the same format and expenditure categories as the prior two years' "Analyses" to allow for direct comparison of changes. At several points in this year's text, comparisons of 1984 and 1983 have been made. For a detailed study of differences between those years, or 1982, you may obtain a copy of the 1982 or 1983 "Analysis" from BMA.

Methodology

A four-page letter/questionnaire was mailed to 8,100 banks nationwide. Banks were chosen by random 'nth' name selection from among two asset groups: Those under $100 million in assets (6,287) and those over $100 million in assets (1,813). The distinction in asset size samples was to compensate for lower response rates among community banks experienced in previous surveys.

A "Second Request" mailing was made to the same list four weeks later, and responses were cut off April 19, 1985.

A total of 1,180 questionnaires had been received at the cutoff date and of these 1,109 were usable returns. They were distributed as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	47	4%
$10 - $25	144	13
$25 - $50	181	16
$50 - $100	203	18
$100 - $250	273	25
$250 - $500	121	11
$500 - $1 billion	58	5
$1 billion - $5 billion	66	6
Over $5 billion	16	1

After the questionnaires were edited and key punched, the data was computer tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

The statistics are presented in several forms: in percentage terms, in dollar averages and in dollar medians.

The percentage computations are based on the number of respondents answering each specific question and are rounded to the nearest whole percentage.

Wherever the word "average" appears, it means the arithmetic mean. Averages for each category are based on the number of banks reporting. Since the number of banks reporting varies from category to category, the sum of the category averages usually will not be the same as the "total" averages.

The median is the middle value from a list of rank ordered values. For example, for the five values 4,000, 4,000, 4,200, 5,000 and 20,000, the median is 4,200 and the average or arithmetic mean is 7,440. There are as many banks above the median as there are below. Because the average is sensitive to extreme values (20,000 in this example) and the median is not, the median often represents a better estimate than the average.

Another feature incorporated into the data this year is the addition of "Minimum and Maximum" values for certain tables. The inclusion of this data shows the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

Dollar figures are rounded to the nearest $100.

The Marketing Plan

The development of the marketing budget is just one part of the total marketing planning process. Several methods for developing and managing budgets will be described and assessed, but first, a few comments on writing a marketing plan are in order.

There are important advantages to writing a thorough marketing plan. It brings organization and efficiency to both short term and long term activities of the bank. A written plan provides staff and suppliers time to prepare for and implement programs, and reduce the risk of errors or expense that accompany unplanned marketing. The plan assures that marketing activities occur in an orderly sequence, reaching the right prospects, at the right time, at the lowest expense possible.

Your written plan also is helpful from the organizational standpoint. It alerts others in the bank when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. The plan should be a written document, with input from a wide range of personnel. And, it should be considered an evolutionary document. Each plan your bank prepares is more accurate and thorough than earlier ones. For that reason, consider the plan a flexible document that changes with the marketplace.

The marketing budget is the fifth of six components of a good marketing plan. There are four other steps which should be taken first. The key steps in formulating a marketing plan are the following:

1. ***Situation Analysis:*** Where are we today? What are our strengths and weaknesses? What opportunities and/or threats are facing us?
2. ***Objectives:*** Where do we want to be tomorrow? What specific goals do we want to achieve?
3. ***Strategy:*** What are the available paths to reach our goals? What will our organizational "game plan" be?
4. ***Tactics:*** What, specifically, will we do to implement the strategy? What action plans, timetables, activities, etc.?
5. ***Budget:*** How much will it cost? How will our resources be allocated?
6. ***Evaluation:*** Is it working? How do the actual results compare to our stated objectives?

The Budgeting Process

Before a budget can be prepared, certain underlying assumptions must be identified. External assumptions are expected conditions that will affect the bank's performance in the coming year: the economic and industry outlooks, the competitive situation, etc. Internal assumptions have to do with corporate and marketing objectives, policies and priorities.

If a marketing plan has been written, these budgetary assumptions flow directly from the situation analysis and objectives set forth in the plan.

Based on the strategies and tactics you develop, the budgeting process can then assign the costs for the marketing activities or tasks that will implement the selected strategy and achieve your goals. While advertising is usually the biggest part of the marketing budget, we should be careful not to overlook the other marketing elements: Public relations, sales promotion, sales/customer relations training and marketing research. Costs are assigned to these various functions based on their contribution to reaching our objectives. The budget, thus, becomes **the marketing plan in dollar terms.**

What has been described is called the **task/objective approach** to marketing planning and budgeting, because the budget is built by adding up the costs involved in achieving each marketing task and objective. Unlike other methods in common use, this technique makes the budget an integral part of a total plan based on an analysis of the unique needs of **your own bank.**

More traditional methods use "rules of thumb" which are quicker and easier to use, but not as thorough. They may, however, be helpful to decisionmakers as general guidelines. Some of the most commonly used methods include:

- ***Percentage of Assets/Deposits Method:*** Uses a predetermined percentage as the basis for the budget: such as 1/10 of one percent of assets. This method does reflect the fact that larger institutions probably can afford larger budgets. It does not, however, account for other factors that influence marketing expenditure levels such as size of market, market share, opportunities for market development and competitors. Moreover, using current or forecasted assets/deposits as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of deposits and assets, not the other way around.
- ***Incremental Method:*** Simply tacks on a set increase over previous spending — for example, budgeting 10% more than last year. This method is an easy one to implement, often pegging the increase to the rate of inflation. The assumption,

however, is made that goals and strategies closely imitate past history. If you are completely satisfied that last year's performance was so good that you only need to repeat the same or more of the same strategies and tactics, this will work. Simply "doing more of the same" may mean that programs that are no longer effective will be continued since no evaluation or justification of programs takes place. In addition, most institutions will want to adapt their plans in the face of external changes: Legislative developments, changing consumer markets, strategies of competitive organizations, etc.

- ***Competitive Parity Method:*** is based on matching competitors' expenditures. The actions of your competitors are allowed to dictate your budget. While that may provide the same communications "weight" as your competitors, it fails unless you are the same size **and** have the same goals. The assumption underlying this approach is that all firms in the marketplace have the same opportunities for profitable marketing. More likely, your opportunities will not be entirely the same as your competitors'. For example, a bank introducing a new product/service to compete with a competitor's already established product/service, would probably need heavier promotional expenditures just to create awareness among customers.
- ***"Affordable" Method:*** Whatever is left over after other functions have been budgeted and a satisfactory profit planned goes to marketing. This method relegates marketing to definitely secondary status and does not consider the role of the marketing department or the objectives of the bank. It is possible that the resulting allocation will be too small to allow marketing to be very effective. At the other extreme, more may be spent than is needed. At some point, the benefit of increasing the number of advertisements in the local paper, for instance, is negligible. Three ads may not be marginally more effective in creating customer awareness of a new service than would two ads. Furthermore, budgets that fluctuate radically from year to year will make long range planning and the attainment of long term objectives very difficult.

All these "rule of thumb" methods fail to allow for flexibility and do not relate expenditures to your bank's specific marketing objectives. Although a budget created by these arbitrary methods is often referred to as a "budget plan", little planning and analysis has actually taken place. Nonetheless, they are useful as decision parameters and often are used in conjunction with a more analytical procedure like the **task/objective** method.

Managing With a Budget

A written plan and budget are **blueprints for action.** Rather than leaving results to chance and merely reacting to events on a day-to-day basis, use the plan as a roadmap for actionable tasks, allocating resources based on your stated objectives.

A marketing plan should not be set in stone, but rather should be adapted to changing economic and competitive conditions. Be prepared to cut or expand your budget to meet changing revenue, profit, cash flow requirements — or to take advantage of newly developed marketing opportunities. Or, you may need to counter unexpected expenditures by a competitor.

Planning is an on-going, dynamic process. A plan should be used daily, reviewed and updated. The greatest possible mistake is to write a marketing plan and put it on the shelf until it's time to write next year's plan. A good marketing plan is threadbare long before the year is over.

The plan and budget are also **control mechanisms** for evaluating progress toward the achievement of your marketing objectives. For the most effective measurement of promotional results against plan, your stated objectives and performance standards should be quantified whenever possible. Review actual program results periodically — at least on a monthly basis.

Expenditure levels should also be monitored and variances, whether below or above budgeted amounts, should be examined. If expenditures are running ahead of estimates — why? Have the underlying budget assumptions changed — are unforeseen influences causing this variance? If so, perhaps, your objectives and strategies should be modified. If not, budget cuts may be in order. If expenditures are running behind estimates — are your goals being achieved without the planned expenditure and are there alternate, new opportunities to pursue? If goals are not being met, perhaps spending should be increased to the necessary level.

In conclusion, systematic planning can mean improved performance for your bank and more efficient achievement of your marketing objectives.

Regardless of which method you use in preparing your own bank's budget, this study should be of value in comparing it to other banks' nationwide.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. Obviously, when making comparisons, it's important to be comparing similar items.

Defining terms

The items used on our questionnaire were built around generally accepted industry definitions for consistency among responding banks so that users of this publication could readily compare their expenditures in similar categories.

Nevertheless, check how your bank classifies expenditures to determine if there are any major differences in yours and these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1986 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average, 63% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but is also expensive. Cable television is a growing force in many markets. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations change formats, and audiences, regularly. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken from both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

HOW MUCH IS THE BUDGET?

The marketing expenditures which banks made in 1984 are shown in Tables One through Four. The expenditures are shown in a complete budget format based on four different analyses:

1) Average expenditure
2) Median expenditure
3) Percentage of budget for each expenditure
4) Percentage of banks reporting each expenditure type

Each of the four Tables divides the data into the five functional areas of marketing:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales Training
- Marketing Research

In turn, these five areas are further divided into more detail, for example, by media within Advertising.

Average Expenditures

Table One shows the actual average expenditure for respondents in each budget category. Because not all respondents included detail for each line item, the averages will not necessarily sum to the bottom 'total' line. Nonetheless, the total line and each category represent the average of all banks which reported an expenditure for each item.

Average budgets for respondents range from $11,900 for banks under $10 million in assets to more than $4,400,000 for banks in the largest asset category, over $5 billion.

As pointed out earlier, the averages can be affected by extreme values. Thus you may want to compare average expenditures against the median expenditures in Table 2.

Median Expenditures

The median expenditures for banks range from $6,900 for the banks under $10 million in assets to more than $4,150,000 for the banks over $5 billion in assets.

When compared with last year's data, the median expenditures are generally higher. The total expenditures for 1984 were higher in every asset category except for banks from $50 million to $100 million in assets as reported in last year's "Analysis."

Percentage Allocations

Table 3 allows you to compare the allocation of your own marketing budget with other banks'. The data, expressed in percentages, indicates which media and marketing functions banks are emphasizing.

Of the five major marketing functions, advertising accounts for the largest percentage in all asset ranges (51% for the smallest to 70% in the largest). Based on the data, it can be said that as the size of the bank increases, it is likely to allocate larger portions of its budget to advertising than to other functions.

Advertising did, however, show a slight decrease in its share of the budget as compared to prior years. For example, the average allocation for advertising in 1982 for the nine asset ranges of banks averaged 62%. In 1983 it increased to 66% and in 1984 it decreased to 62.5% of the total marketing budget.

Within Advertising, newspapers still receive the largest share, averaging from 15% to 22% of the marketing budget depending on the size of bank. Television or radio account for the next largest share of the budget, depending on bank size. Radio decreases from 13% share in the smaller banks to as little as 4% in the largest. Television increases from as little as 1% in the smallest to 14% in the largest.

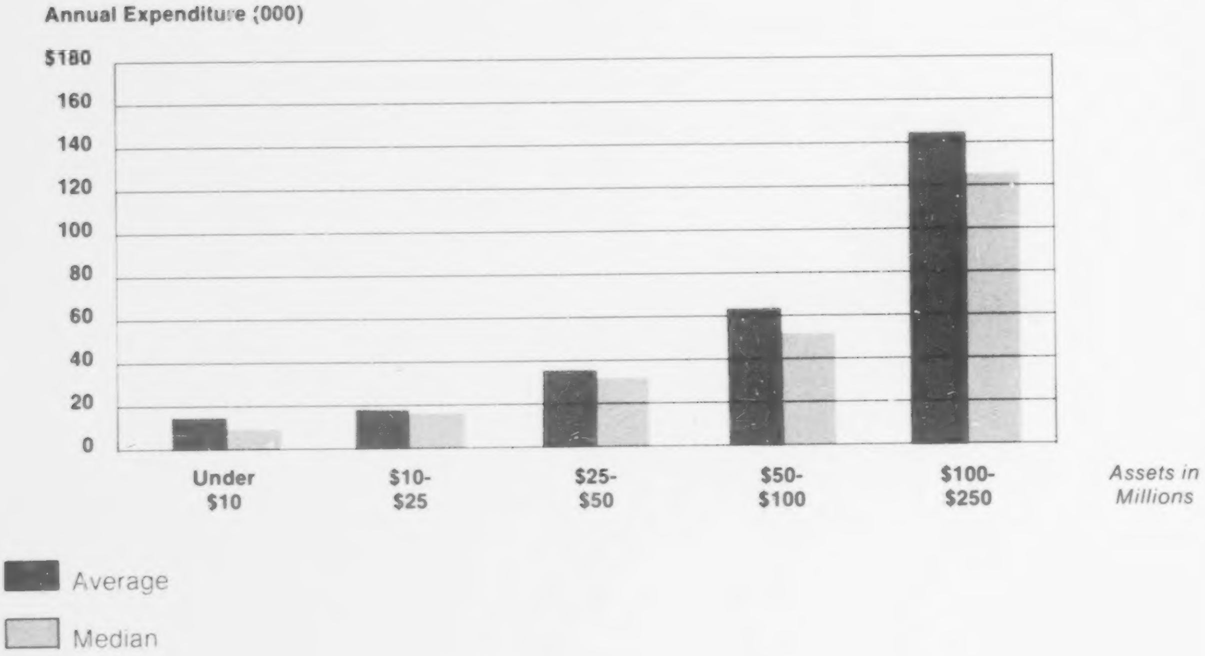
In other categories of marketing, Public Relations accounts for the next largest share behind Advertising ranging from 26% in the smallest banks, decreasing to 12% in the largest. The largest categories within Public Relations are Donations and Special Events. Smaller banks donate as much as 11% of their total budgets; larger banks from 2% to 4%.

Sales Promotion accounted for a slightly larger share of the budget in 1984. These expenditures ranged from 9% to 13% in 1983 and increased to 9% to 18% in 1984. The largest difference between small banks and larger banks is the allocation for Specialties (giveaways such as calendars, pens, etc.) In the smallest they account for 11% to 13% of the total budget, but only 1% of the budget in the largest banks.

As a percentage of the budget, Staff Sales Training and Research still account for the smaller shares. Training receives about 2% and Research about 3%, ranging from 2% to 6%. The allocation for Research tends to increase with the size of the bank, up to 6% in the largest banks.

AVERAGE AND MEDIAN MARKETING EXPENDITURES

The two graphs below show the total average and the median expenditures by asset size as taken from Tables One and Two.



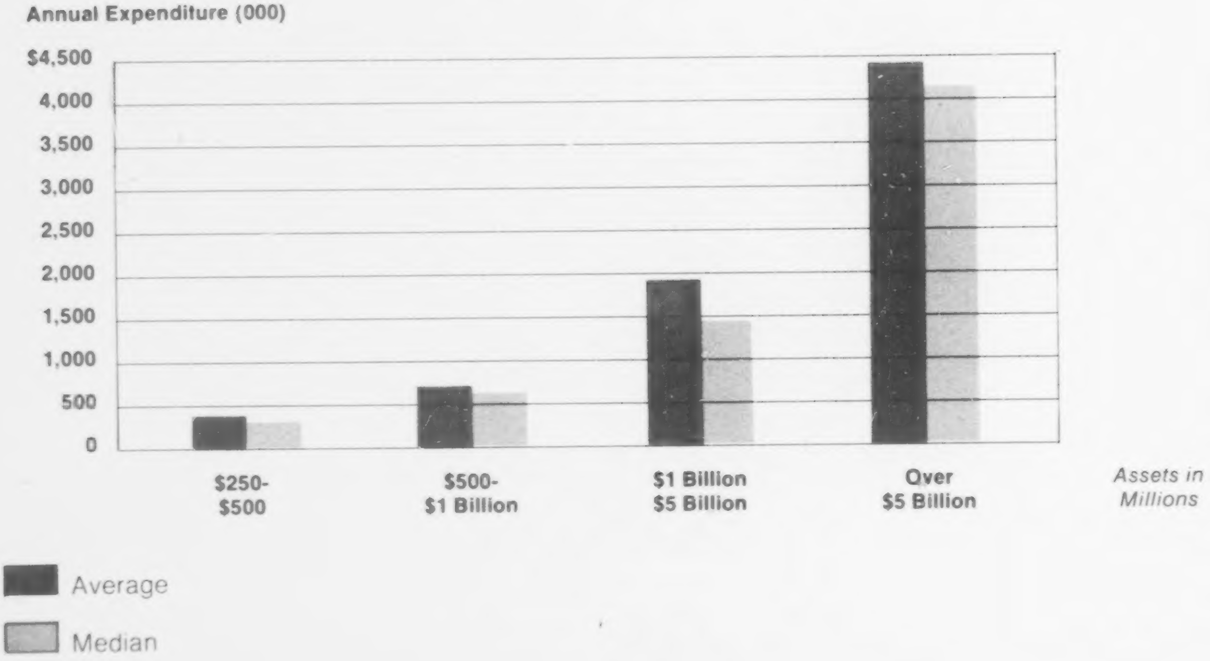


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE

(All Reporting Banks - 1984, $000)

Asset Size in Millions

Expenditure Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .7	$ 1.3	$ 1.7	$ 2.3	$ 6.7	$ 9.6	$ 18.1	$ 97.2	$ 196.5
Directories (telephone, bank, city, etc.)	.5	.9	1.5	2.0	3.9	7.1	12.2	26.9	45.6
Newspapers	2.8	4.2	5.9	11.4	23.8	50.7	156.6	367.0	757.8
Television	2.7	4.7	5.8	7.3	19.8	66.3	108.5	338.3	636.6
Radio	3.0	3.2	5.9	9.5	20.3	35.7	58.0	145.1	178.7
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	3.4	1.8	3.1	3.8	7.8	14.6	41.1	150.2	503.5
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1.3	2.2	3.5	5.9	12.8	22.4	25.1	57.9	80.4
Production Expenses (artwork, talent, etc.)	1.6	2.0	3.2	4.4	13.1	32.9	75.9	187.6	400.2
Fees & Commissions (advertising agency, media representative, consultants, etc.)	2.9	5.0	4.4	7.5	11.4	24.2	49.4	126.9	370.7
All Other Advertising	1.3	3.0	3.7	5.0	10.1	19.4	16.0	61.9	313.7
Sub-Total for Advertising	**6.1**	**10.8**	**20.1**	**36.2**	**91.9**	**214.9**	**472.7**	**1290.0**	**3083.1**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	2.1	1.4	2.0	2.4	8.1	15.5	34.9	60.2	230.6
Media Relations (press releases, press conferences, etc.)	.1	1.9	.7	.7	2.3	3.5	6.8	13.2	79.5
Publications (community service publications, newsletters, etc.)	1.3	1.1	1.8	2.1	4.3	8.0	11.3	61.0	113.0
Special Events (seminars, anniversaries, open house, etc.)	1.9	2.6	2.7	3.6	7.1	12.9	22.8	43.1	81.8
Public Relations Consultants Fees	1.0	5.8	3.2	5.3	5.2	13.0	17.0	49.2	67.3
Donations (donation advertising—schools, churches, civic clubs and related publications)	1.8	2.5	4.2	6.2	12.1	15.5	32.2	94.7	128.1
All Other Public Relations	1.9	2.3	2.7	7.4	9.7	15.2	17.5	48.6	61.5
Sub-Total for Public Relations	**3.8**	**4.5**	**7.9**	**12.9**	**29.3**	**48.3**	**98.0**	**235.9**	**584.9**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	2.2	1.8	6.2	5.6	7.2	11.8	28.4	130.6	97.5
Newcomer Services (non-salary only)	.3	.8	.7	1.2	1.7	2.6	7.4	17.2	22.5
Specialities (giveaways, such as calendars, pens, etc.)	2.1	3.8	3.8	5.7	8.5	9.9	15.2	28.3	39.1
Point-of-Sale Materials (displays, banners, brochures, etc.)	1.3	1.7	1.4	1.9	5.8	10.1	33.4	84.5	179.5
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1.5	1.4	3.8	2.8	6.8	7.7	24.8	72.7	150.4
All Other Sales Promotion Expenses		4.3	3.6	3.3	5.9	9.6	23.1	151.6	124.3
Sub-Total for Sales Promotion	**2.7**	**4.8**	**6.1**	**9.2**	**18.1**	**27.8**	**71.9**	**226.3**	**393.2**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.4	1.0	2.4	3.2	5.9	9.6	14.8	39.2	68.9
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1.4	1.2	1.3	1.8	2.7	2.6	10.4	17.9	50.1
All Other Sales Staff/Customer Relations Training	.1	1.6	2.2	4.7	2.9	5.4	16.5	59.0	4.0
Sub-Total for Staff Sales/Customer Relations Training	**1.3**	**1.6**	**2.8**	**4.3**	**6.1**	**9.8**	**19.5**	**64.8**	**96.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	7.9	9.2	6.7	6.2	6.4	9.3	24.5	65.9	185.0
Non-Salary Internal Expenses	1.5	1.7	1.4	1.1	2.0	3.2	17.2	19.4	94.9
All Other Marketing Research		3.4	5.3	2.8	3.6	4.1	51.3	27.0	133.9
Sub-Total for Marketing Research	**4.1**	**9.1**	**5.2**	**4.9**	**6.0**	**9.7**	**37.5**	**77.4**	**303.0**
All Other Marketing Expenses		3.8	5.3	5.0	17.3	40.0	28.5	110.2	535.5
Total Marketing Expenditures	**11.9**	**19.1**	**34.7**	**60.1**	**144.5**	**308.6**	**662.4**	**1850.3**	**4402.6**

TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE

(All Reporting Banks - 1984, $000)

Expenditure Type	Asset Size in Millions Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .5	$ .9	$ 1.0	$ 1.5	$ 2.6	$ 6.0	$ 12.0	$ 60.0	$ 160.0
Directories (telephone, bank, city, etc.)	.4	.8	1.0	1.4	2.9	4.9	9.2	20.0	38.3
Newspapers	2.0	3.2	5.0	8.4	19.2	42.7	96.0	250.0	542.2
Television	2.0	1.0	2.0	4.0	12.5	50.0	100.0	261.2	673.2
Radio	1.0	2.0	4.3	8.0	16.0	27.5	44.0	102.0	178.3
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	1.0	1.0	1.2	2.0	5.0	10.0	23.7	90.0	251.0
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	.5	1.0	2.0	3.7	9.0	15.6	25.0	44.9	45.6
Production Expenses (artwork, talent, etc.)	1.0	1.0	1.2	2.5	9.0	27.6	55.0	142.4	346.1
Fees & Commissions (advertising agency, media representative, consultants, etc.)	2.9	3.5	3.0	5.0	10.0	21.0	37.8	100.0	374.5
All Other Advertising	1.0	1.5	2.1	2.0	5.9	13.0	10.0	38.5	150.0
Sub-Total for Advertising	**2.1**	**8.1**	**18.0**	**31.8**	**82.9**	**190.4**	**449.5**	**1113.0**	**3122.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.5	1.0	1.0	1.5	5.6	11.2	30.0	50.0	229.2
Media Relations (press releases, press conferences, etc.)	.1	2.0	.5	.5	1.0	1.5	2.0	6.0	30.0
Publications (community service publications, newsletters, etc.)	.5	1.0	1.0	1.4	2.9	5.0	6.7	20.0	96.0
Special Events (seminars, anniversaries, open house, etc.)	.5	2.0	2.0	2.1	4.3	8.0	10.0	26.9	50.0
Public Relations Consultants Fees	1.0	4.5	1.2	5.0	4.0	12.0	12.0	30.0	42.0
Donations (include donation advertising—schools, churches, civic clubs)	1.0	2.0	3.0	4.4	8.2	10.0	16.5	18.5	75.0
All Other Public Relations	.5	1.2	1.5	4.8	4.7	6.0	12.4	34.0	30.0
Sub-Total for Public Relations	**2.5**	**4.0**	**6.1**	**10.0**	**23.0**	**35.0**	**76.9**	**123.2**	**431.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	3.0	1.0	2.0	2.0	3.5	6.0	10.0	25.0	27.2
Newcomer Services (non-salary only)	.3	.7	.5	.8	1.0	2.0	2.0	11.2	10.0
Specialities (giveaways, such as calendars, pens, etc.)	1.0	2.0	3.0	4.5	7.0	7.5	10.0	15.0	25.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	1.0	1.0	1.0	1.1	3.0	5.0	16.2	40.2	125.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	1.7	1.0	2.0	1.5	3.0	5.0	7.2	25.0	40.0
All Other Sales Promotion Expenses		2.9	2.5	2.0	3.3	3.0	18.0	33.0	29.8
Sub-Total for Sales Promotion	**1.5**	**2.8**	**4.0**	**7.0**	**13.0**	**22.0**	**47.0**	**109.0**	**250.3**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.0	1.0	1.0	2.0	2.5	4.8	10.0	25.3	70.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1.2	1.0	1.0	1.0	1.5	2.0	3.0	10.0	4.0
All Other Sales Staff/Customer Relations Training	0.0	1.1	1.1	1.5	2.0	2.0	2.5	5.0	4.0
Sub-Total for Staff Sales/Customer Relations Training	**1.0**	**1.0**	**1.6**	**2.0**	**3.0**	**4.8**	**12.0**	**31.3**	**90.8**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	.9	3.0	1.2	1.5	3.0	6.5	25.0	44.7	150.0
Non-Salary Internal Expenses	1.8	.3	1.0	.6	2.0	1.0	7.5	9.0	40.0
All Other Marketing Research		1.0	1.0	1.0	2.0	1.5	8.6	6.0	30.0
Sub-Total for Marketing Research	**1.8**	**3.0**	**1.0**	**1.5**	**3.0**	**6.6**	**29.0**	**44.7**	**171.5**
All Other Marketing Expenses		1.0	3.0	3.0	10.0	30.0	18.2	30.0	478.4
Total Marketing Expenditures	**6.9**	**16.3**	**31.0**	**51.5**	**126.0**	**296.5**	**632.7**	**1462.7**	**4150.7**

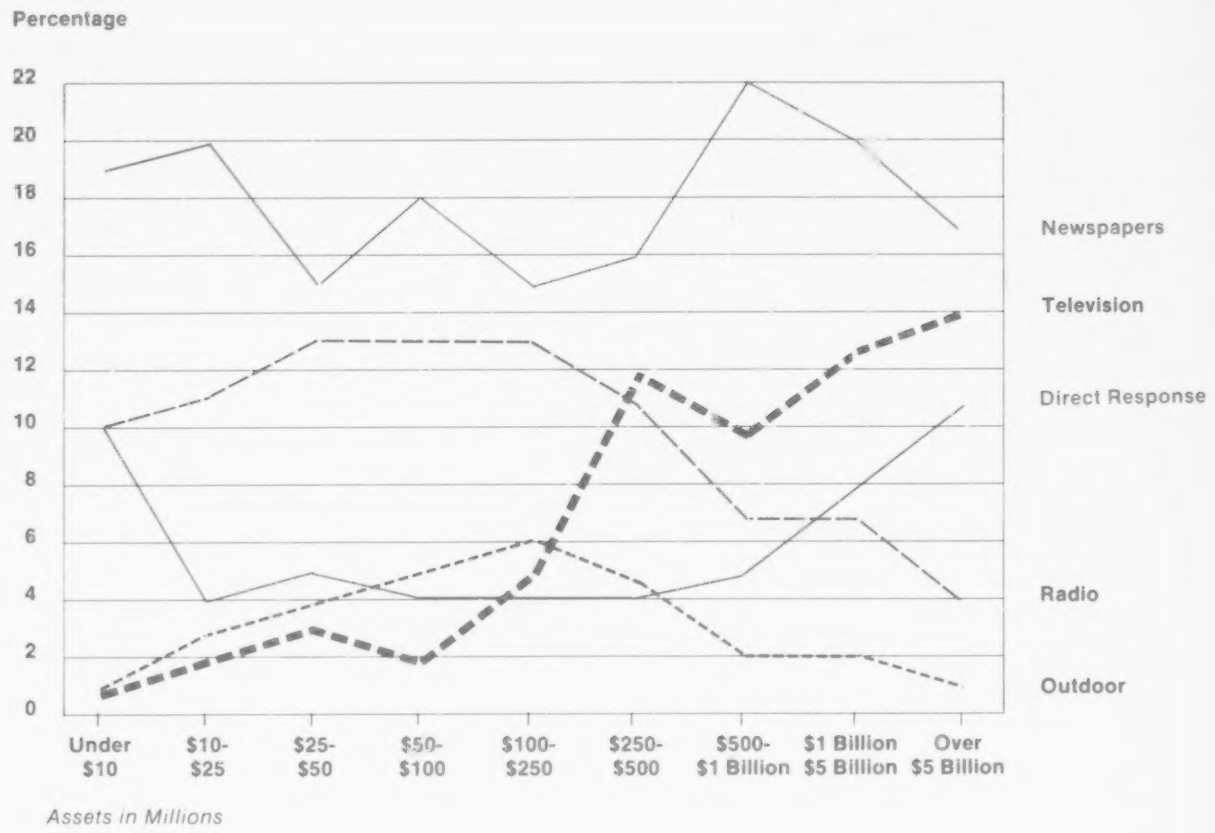
TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1984 BY ASSET SIZE

	Asset Size in Millions								
Expenditure Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
ADVERTISING									
Magazines (consumer, trade, etc.)	1%	1%	1%	1%	2%	2%	2%	5%	4%
Directories (telephone, bank, city, etc.)	2	3	3	3	2	2	2	1	1
Newspapers	19	20	15	18	15	16	22	20	17
Television	1	2	3	2	5	12	10	13	14
Radio	10	11	13	13	13	11	7	7	4
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	10	4	5	4	4	4	5	8	11
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1	3	4	5	6	5	2	2	1
Production Expenses (artwork, talent, etc.)	2	2	3	4	7	9	10	9	9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	1	5	4	6	5	6	6	5	5
All Other Advertising	2	3	3	2	3	2	1	1	4
Sub-Total for Advertising	**51**	**54**	**57**	**59**	**63**	**70**	**69**	**70**	**70**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	3	1	2	2	4	4	4	2	3
Media Relations (press releases, press conferences, etc.)	*	*	*	*	*	*	*	*	1
Publications (community service publications, newsletters, etc.)	2	1	2	1	2	1	1	2	2
Special Events (seminars, anniversaries, open house, etc.)	7	5	4	4	4	3	3	2	2
Public Relations Consultants Fees	*	*	*	1	*	1	1	1	1
Donations (include donation advertising—schools, churches, civic clubs)	11	10	10	9	8	4	4	4	2
All Other Public Relations	2	2	2	3	3	1	1	1	1
Sub-Total for Public Relations	**26**	**20**	**21**	**21**	**20**	**15**	**14**	**12**	**12**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	2	1	2	2	1	1	1	3	1
Newcomer Services (non-salary only)	*	*	*	*	*	*	*	*	*
Specialities (giveaways, such as calendars, pens, etc.)	11	13	8	8	5	3	2	1	1
Point-of-Sale Materials (displays, banners, brochures, etc.)	2	1	1	1	2	2	4	4	4
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	2	1	2	1	2	1	2	2	2
All Other Sales Promotion Expenses		2	1	1	1	1	1	2	2
Sub-Total for Sales Promotion	**17**	**18**	**14**	**14**	**12**	**9**	**10**	**12**	**9**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	2	1	1	2	1	1	1	1	*
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1	1	1	1	*	*	*	*	*
All Other Sales Staff/Customer Relations Training		1	1	1	*	*	*	1	*
Sub-Total for Staff Sales/Customer Relations Training	**3**	**2**	**3**	**3**	**2**	**2**	**1**	**2**	**1**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	3	4	2	2	1	2	3	3	4
Non-Salary Internal Expenses	1	*	*	*	*	*	1	*	2
All Other Marketing Research		1	1	*	*	*	1	*	1
Sub-Total for Marketing Research	**4**	**4**	**3**	**2**	**2**	**2**	**4**	**3**	**6**
All Other Marketing Expenses		1	1	1	2	3	1	1	2
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)



WHERE THE BUDGET IS SPENT

Percentage Using

While Table 3 shows the portion of the budget allocated to each marketing function, Table 4 shows what portion of responding banks spent any amount on each function.

Nearly all banks made an expenditure for Advertising (97% to 100%). The most widely used medium within Advertising is newspapers, by 83% or more of banks. Directories were used by 47% or more, depending on bank size, and radio was used by 38% or more. As would be expected, usage of most media is correlated to bank size, with the largest banks reporting an expenditure in most categories.

Nearly as many banks reported Public Relations expenditures as Advertising expenditures. Within Public Relations, the most frequently reported item was donations, followed by Special Events and Shareholder Relations.

Approximately three-fourths or more of banks report spending money on Sales Promotion activities. Within that, Specialties were the most frequent expenditure. Point of Sale materials such as signs and brochures were used by 17% of smaller banks and 88% of the largest.

Staff Sales/Customer Relations Training were reported in about one-fourth of the smallest banks and about one-third to one-half of the larger banks.

Only about 10% of the smallest banks reported spending money on Marketing Research while 74% to 94% of the largest banks did.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1984 BY ASSET SIZE

	Asset Size in Millions								
Expenditure Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
ADVERTISING									
Magazines (consumer, trade, etc.)	11%	19%	27%	30%	40%	63%	71%	86%	100%
Directories (telephone, bank, city, etc.)	47	59	69	82	84	91	86	92	81
Newspapers	83	90	88	94	94	95	91	98	100
Television	6	10	20	20	37	56	64	73	94
Radio	38	68	75	80	90	91	76	85	94
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	36	43	51	69	79	89	84	92	100
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	6	22	42	53	66	73	62	65	75
Production Expenses (artwork, talent, etc.)	17	19	34	53	78	85	88	86	94
Fees & Commissions (advertising agency, media representative, consultants, etc.)	4	17	29	48	62	73	74	73	63
All Other Advertising	17	22	29	28	40	38	45	32	50
Sub-Total for Advertising	**98**	**97**	**99**	**98**	**99**	**100**	**97**	**100**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	17	19	34	55	67	74	72	73	63
Media Relations (press releases, press conferences, etc.)	2	3	4	17	20	36	47	62	75
Publications (community service publications, newsletters, etc.)	19	18	33	40	51	56	59	61	69
Special Events (seminars, anniversaries, open house, etc.)	43	40	54	61	71	69	76	74	81
Public Relations Consultants Fees	4	1	3	6	8	17	28	27	38
Donations (include donation advertising—schools, churches, civic clubs)	77	78	82	89	92	85	88	76	81
All Other Public Relations	13	14	28	28	38	29	43	32	56
Sub-Total for Public Relations	**83**	**88**	**93**	**97**	**97**	**96**	**95**	**94**	**88**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	11	7	9	23	26	36	34	36	38
Newcomer Services (non-salary only)	9	6	14	25	31	21	17	23	38
Specialities (giveaways, such as calendars, pens, etc.)	60	67	74	81	86	84	83	80	94
Point-of-Sale Materials (displays, banners, brochures, etc.)	17	15	25	46	62	75	83	77	88
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	15	12	17	29	40	48	52	52	56
All Other Sales Promotion Expenses		7	8	12	18	17	16	30	56
Sub-Total for Sales Promotion	**72**	**72**	**82**	**90**	**95**	**95**	**95**	**98**	**100**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	17	13	19	29	27	38	28	39	25
Non-Salary Internal Expenses (development, printing, classroom, etc.)	6	8	15	26	26	31	24	35	25
All Other Sales Staff/Customer Relations Training	4	12	15	15	17	12	7	18	6
Sub-Total for Staff Sales/Customer Relations Training	**28**	**26**	**38**	**48**	**47**	**53**	**40**	**50**	**31**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	4	8	9	17	32	57	69	76	94
Non-Salary Internal Expenses	6	1	4	10	14	17	22	39	81
All Other Marketing Research		3	4	4	8	9	14	21	25
Sub-Total for Marketing Research	**11**	**9**	**15**	**27**	**43**	**64**	**74**	**82**	**94**
All Other Marketing Expenses		3	4	8	16	24	33	18	19
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGET BY MARKET SIZE AND TYPE

Tables 5 through 7 show the responding banks' marketing expenditures as related to their market size and type. Table 5 shows the detailed budget for four different population ranges of under 100,000 to more than 1,000,000. Table 6 shows the four different population ranges and the total marketing budget by the nine different asset ranges of banks. Table 7 shows the same population information by six different market types.

When using Tables 6 and 7, be aware of the smaller samples in a few of the categories and the effect of projecting the data to other environments. Among respondents, about 62% were located in markets of 100,000 persons or less; 23% in markets of 100,000 to 500,000; 6% in markets of 500,000 to 1,000,000, and 9% in markets of 1,000,000 or more.

Tables 6 and 7 also show 'minimum and maximum' values for the responding banks along with the median and the average. These values, which represent the highest and the lowest expenditures in various categories, show the range of respondents' budgets to help you place your own in perspective.

Environment has a strong influence on marketing expenditures. These tables allow readers to compare more precisely their own bank's environment with responding banks'. For example, you can use Table 5 to find the average expenditures for any of the more than 30 different categories based on your market's population. You can use Tables 6 and 7 to determine typical overall budgets, narrowing the total down to the size of your bank and size and type of your market.

As an example of how market size influences the budget, consider a $300 million bank in Table 6. In the smallest markets (under 100,000), the average bank spent $235,400. In markets up to 500,000, they spent $297,800; in markets up to 1,000,000, they spent $360,200, and in the largest markets, over 1,000,000, they spent $470,100.

Although these tables are useful for comparison purposes, they should not be considered absolutes. Your marketing plan, as described earlier in the "Budgeting for Bank Marketing" section, should take into consideration the factors of your marketplace such as size, available media, and competition.

Even banks in the smaller asset categories have been able to compete successfully with the largest institutions by seeking out opportunities in a special niche ... such as serving smaller businesses, professionals, or others, rather than confronting the market head-on with a smaller budget.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1984, $000)

Expenditure Type	Population Size Under 100,000	 100,000-500,000	 500,000-1 Million	 1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.2	$ 9.9	$ 39.0	$ 85.3
Directories (telephone, bank, city, etc.)	2.1	6.5	10.1	24.4
Newspapers	11.3	43.0	143.4	358.8
Television	10.9	52.7	151.3	415.7
Radio	11.2	26.1	59.9	129.6
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	4.0	14.9	35.4	175.9
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	6.6	19.5	24.0	54.4
Production Expenses (artwork, talent, etc.)	9.0	26.1	76.2	175.5
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8.3	20.5	59.6	128.6
All Other Advertising	5.7	14.2	25.1	114.0
Sub-Total for Advertising	**39.3**	**163.5**	**457.6**	**1215.5**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	4.7	11.5	38.8	69.4
Media Relations (press releases, press conferences, etc.)	1.3	3.1	12.1	23.1
Publications (community service publications, newsletters, etc.)	2.5	6.9	23.1	53.2
Special Events (seminars, anniversaries, open house, etc.)	4.1	11.9	25.5	39.1
Public Relations Consultants Fees	6.5	11.0	19.9	47.9
Donations (include donation advertising—schools, churches, civic clubs)	6.2	14.3	30.0	73.5
All Other Public Relations	5.7	12.2	28.4	50.4
Sub-Total for Public Relations	**13.5**	**39.9**	**108.9**	**218.2**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	5.8	10.4	31.4	101.0
Newcomer Services (non-salary only)	1.2	2.7	34.2	15.0
Specialities (giveaways, such as calendars, pens, etc.)	5.7	9.3	14.1	21.9
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.2	10.6	27.3	77.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	3.3	8.0	19.2	77.9
All Other Sales Promotion Expenses	4.3	8.2	27.6	146.7
Sub-Total for Sales Promotion	**9.5**	**24.2**	**66.1**	**193.5**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	3.9	9.0	10.8	34.8
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2.1	3.6	10.3	14.9
All Other Sales Staff/Customer Relations Training	2.8	2.7	35.6	39.4
Sub-Total for Staff Sales/Customer Relations Training	**4.2**	**8.8**	**21.6**	**44.8**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	6.1	11.3	29.1	82.7
Non-Salary Internal Expenses	1.6	5.9	29.9	34.0
All Other Marketing Research	3.5	18.8	7.0	47.5
Sub-Total for Marketing Research	**5.6**	**14.3**	**37.1**	**101.5**
All Other Marketing Expenses	8.9	42.4	33.0	145.4
Total Marketing Expenditures	**63.1**	**239.8**	**654.2**	**1712.1**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1984, $000)

	Asset Size in Millions								
Population Size	Under $10	$10- $25	$25- $50	$50- $100	$100- $250	$250- $500	$500- $1 Billion	$1 Billion- $5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	43	129	162	159	149	28	2		
Average Expenditure	**$ 9.0**	**$ 18.3**	**$ 33.4**	**$ 56.8**	**$120.7**	**$235.4**	**$329.1**		
Minimum Expenditure	5	1.2	8.2	8.0	24.0	80.7	85.4		
Maximum Expenditure	51.2	102.0	90.0	170.0	330.9	420.4	572.9		
Median Expenditure	**6.5**	**16.0**	**30.3**	**50.9**	**109.3**	**239.8**	**85.4**		
100,000 - 500,000									
Number of Reporting Banks	2	10	15	38	95	64	23	9	
Average Expenditure	**50.2**	**30.0**	**40.9**	**69.6**	**158.7**	**297.8**	**622.9**	**1031.0**	
Minimum Expenditure	47.3	1.0	2.7	6.0	12.8	97.3	296.5	695.4	
Maximum Expenditure	53.1	68.5	103.5	237.0	399.6	560.5	2012.0	1540.2	
Median Expenditure	**47.3**	**22.0**	**42.0**	**60.4**	**151.0**	**283.2**	**380.2**	**1020.6**	
500,000 - 1 Million									
Number of Reporting Banks	d	2	2	2	11	15	19	11	d
Average Expenditure		**7.5**	**36.5**	**130.8**	**301.8**	**360.2**	**685.1**	**1399.1**	
Minimum Expenditure		7.0	15.0	97.5	56.0	56.0	64.1	584.7	
Maximum Expenditure		8.0	57.9	164.0	1123.3	697.8	1399.2	2413.0	
Median Expenditure		**7.0**	**15.0**	**97.5**	**219.0**	**339.6**	**674.0**	**1141.0**	
1 Million or More									
Number of Reporting Banks	d	2	d	3	15	[illegible]	12	43	15
Average Expenditure		**39.0**		**44.2**	**174.3**	**470.1**	**731.7**	**2169.6**	**4404.3**
Minimum Expenditure		12.0		35.0	82.9	162.9	55.8	554.0	505.3
Maximum Expenditure		66.0		53.5	363.2	847.0	1187.0	5995.0	6665.0
Median Expenditure		**12.0**		**44.0**	**144.1**	**408.8**	**771.4**	**1888.6**	**4150.7**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1984, $000)

	Market Type					
Population Size	**State-wide**	**Urban SMSA**	**Suburban SMSA**	**Urban Not SMSA**	**Suburban Not SMSA**	**Rural**
Under 100,000						
Number of Reporting Banks	d	37	74	84	60	403
Average Expenditure		**$116.4**	**$ 84.9**	**$100.7**	**$ 92.2**	**$ 40.8**
Minimum Expenditure		2.6	1.8	11.0	2.0	.5
Maximum Expenditure		420.4	292.0	353.5	340.2	312.0
Median Expenditure		**90.0**	**59.1**	**74.8**	**76.8**	**29.0**
100,000 - 500,000						
Number of Reporting Banks	7	102	87	15	27	15
Average Expenditure	**296.8**	**262.2**	**227.1**	**204.7**	**213.9**	**233.9**
Minimum Expenditure	33.1	2.7	1.0	36.0	22.0	12.8
Maximum Expenditure	722.5	1257.1	2012.0	494.0	1540.2	1346.9
Median Expenditure	**206.1**	**180.0**	**168.6**	**176.1**	**122.0**	**103.5**
500,000 - 1 Million						
Number of Reporting Banks	13	26	15	2	5	d
Average Expenditure	**605.7**	**853.7**	**641.1**	**242.0**	**324.3**	
Minimum Expenditure	178.9	8.0	57.9	164.0	97.5	
Maximum Expenditure	1123.3	4377.0	1848.0	320.0	681.0	
Median Expenditure	**548.0**	**419.8**	**551.1**	**164.0**	**250.0**	
1 Million or More						
Number of Reporting Banks	44	38	16	3	d	
Average Expenditure	**2349.8**	**1220.6**	**955.6**	**1472.4**		
Minimum Expenditure	55.8	35.0	12.0	59.0		
Maximum Expenditure	6659.6	6585.8	3576.1	4150.7		
Median Expenditure	**2037.4**	**675.1**	**353.0**	**207.6**		

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

Survey respondents were asked to indicate what portion of their marketing budget was spent on each of the following areas:

A) Retail (to individuals)
B) Commercial/Corporate (to businesses)
C) Trust
D) Institutional

As shown in Table 8, the major portion of most banks' budget is spent on retail marketing, though the percentage generally declines as the size of the bank increases. For example, in the smallest banks, under $10 million, about 70% of expenditures are retail. In the middle range ($100 million to $250 million), about 54% is retail, and in the largest banks about 60% to 64% is retail.

Commercial/Corporate marketing has its largest share in middle range banks (about 23%), and smaller shares in the largest banks (12% in banks over $5 billion).

Trust marketing is directly correlated to asset size, with the smallest banks allocating less than 1% of their budget and the largest banks allocating 6%.

Institutional advertising varies widely with size, ranging from 7.7% up to 19.1% of the total budget.

As shown in Table 9, about 85% of banks use retail marketing, somewhat less than indicated in prior years of the "Analysis". Commercial/Corporate marketing is used by only 55% of the smallest banks but by 67% to 79% of the larger banks. Trust marketing is used by a small minority of the banks under $100 million, but by about one-half of the banks over $100 million. Institutional marketing increases with the size of the bank, from 21% for the smallest to 69% for the largest.

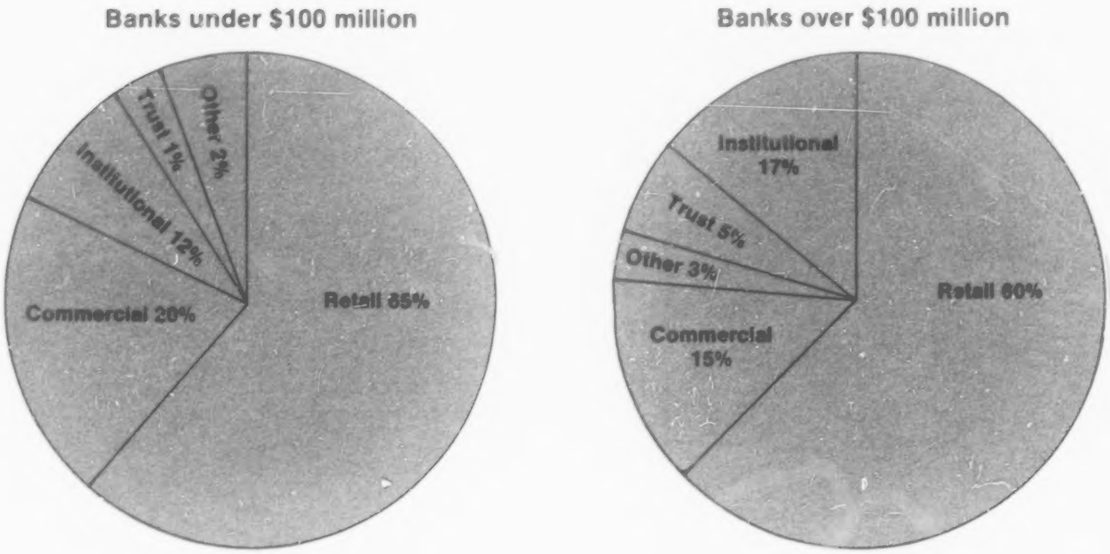
Tables 10 and 11 show the breakdown for marketing by type of service according to population size of the market and by asset range. Retail expenditures range from $8,600 in the smallest banks to more than $2,729,000 in the largest. Commercial/Corporate marketing ranges from $4,300 in the smallest banks to more than $660,000 in the largest. Trust ranges from $2,600 to more than $360,000, and institutional from $5,500 to more than $887,000.

TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE BY ASSET SIZE

Service Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
	Asset Size in Millions								
Retail Services (individuals)	69.7%	66.8%	63.9%	58.7%	53.7%	57.7%	63.3%	60.6%	63.7%
Commercial/Corporate (business)	17.7	21.9	19.6	23.0	19.5	16.9	16.4	13.4	12.1
Trust	1	6	1.1	2.1	5.3	4.6	4.1	3.9	6.0
Institutional	11.2	7.7	13.2	14.9	19.1	18.7	13.5	17.6	15.2
Other	1.3	2.9	2.1	1.3	2.4	2.2	2.7	4.5	2.9
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)


Banks under $100 million

Banks over $100 million

TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE BY ASSET SIZE

Service Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
	Asset Size in Millions								
Retail Services (individuals)	81%	83%	75%	85%	86%	92%	86%	85%	88%
Commercial/Corporate (business)	55	71	64	72	73	75	79	67	75
Trust	2	6	12	23	50	51	48	44	69
Institutional	21	26	39	56	68	74	67	58	69
Other	2	9	9	10	16	13	19	24	38

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1984, $000)

	Population Size			
Service Type	**Under 100,000**	**100,000-500,000**	**500,000-1 Million**	**1 Million or More**
Retail Services (individuals)	$40.2	$132.3	$400.4	$1032.4
Commercial/Corporate (business)	12.9	50.1	138.5	284.6
Trust	10.0	22.5	68.2	167.2
Institutional	20.8	65.9	141.0	441.4
Other	11.1	43.6	123.7	254.3

TABLE 11
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1984, $000)

	Asset Size in Millions								
Service Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Retail Services (individuals)	$ 8.6	$12.5	$23.5	$37.3	$77.0	$174.4	$439.2	$1064.9	$2729.0
Commercial/Corporate (business)	4.3	6.7	9.0	16.2	36.2	74.0	108.9	304.7	666.4
Trust	2.6	1.7	2.9	5.0	14.0	21.9	46.3	129.0	360.1
Institutional	5.5	4.8	10.1	13.9	37.6	71.1	116.2	484.3	887.4
Other	5.5	6.4	5.4	5.1	17.4	43.2	76.7	296.0	312.8

TABLE 12
MEDIAN MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1984, $000)

	Asset Size in Millions								
Service Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Retail Services (individuals)	$4.1	$10.3	$21.1	$30.0	$63.9	$160.5	$366.4	$819.4	$2382.8
Commercial/Corporate (business)	1.5	3.3	7.0	11.1	24.0	37.7	57.2	260.0	433.0
Trust	2.6	1.4	1.3	3.2	9.3	17.0	39.4	90.1	316.3
Institutional	2.1	3.2	5.0	8.0	25.7	48.8	62.8	306.2	875.1
Other	5.5	2.6	4.7	3.8	10.9	17.8	38.6	203.7	333.0

USE OF ADVERTISING AGENCIES

This section of the report describes what source banks use for creation of their advertising and what methods of compensation they use for its production.

As in prior years of the "Analysis", use of agencies is directly correlated to bank size. The prime difference in this year's data is the even stronger difference between banks under and over $100 million in assets. Those under are now even less likely to use an agency and those over are even more likely to use one.

In the smallest banks, 76% or more use bank staff for advertising. On average, in banks under $100 million in assets, 74% use bank staff. At the same time, in banks over $100 million, the use of agencies varies from 55% to 92%.

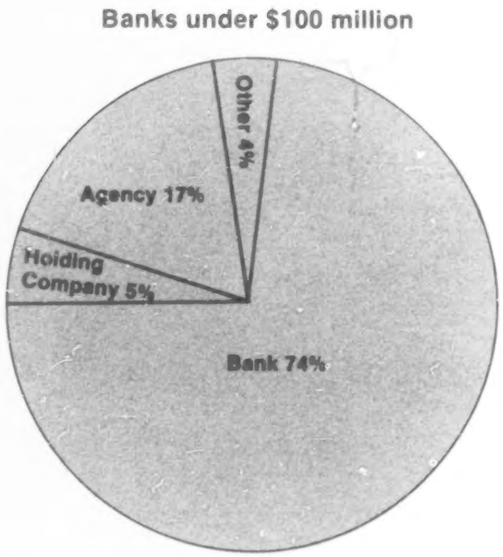
In general, holding companies were not cited often as a primary source of advertising. As in prior years, the figures ranged from 2% up to 7%. Most respondents who indicated "other" in response to this question rely on one or more free-lance arrangements or on assistance directly from the advertising media.

Table 14 shows usage of various sources based on markets of various sizes. As might be expected, agency usage is lowest in small markets and highest in larger markets. It varies from 27% in markets under 100,000 to 81% in the largest. Similar findings hold true in Table 15 which shows source of advertising by type of market. In statewide markets, 78% of banks use agencies. That figure, however, decreases as the market size diminishes to a low of 21% in rural markets.

Holding companies appear to be used most often as the primary source in urban markets which are in an SMSA.

SOURCE FOR CREATING ADVERTISING

(data compiled from Table 13)



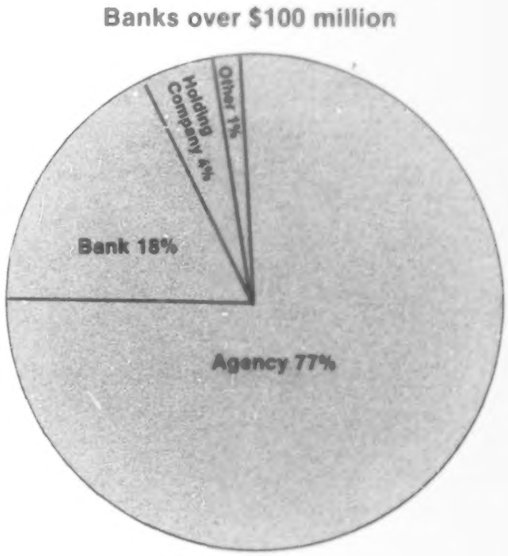


TABLE 13
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1984

(All Reporting Banks - 1984, $000)

	Asset Size in Millions								
Primary Source	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	76%	77%	79%	63%	38%	15%	22%	8%	6%
Used Holding Company Staff	7	6	2	7	6	5	3		6
Used Outside Agency	11	13	16	28	54	77	72	92	88
Other	7	4	3	2	1	3	2		
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 14
PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	65%	32%	25%	16%
Used Holding Company Staff	5	7	2	3
Used Outside Agency	27	58	70	81
Other	2	3	3	
Total	100%	100%	100%	100%

TABLE 15
PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

	State-wide	Urban SMSA	Suburban SMSA	Urban Not SMSA	Suburban Not SMSA	Rural
Used Bank Staff	18%	26%	39%	51%	44%	73%
Used Holding Company Staff	3	9	6	6	3	3
Used Outside Agency	78	63	50	43	52	21
Other		1	5		1	3
Total	100%	100%	100%	100%	100%	100%

TABLE 16
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1984

(All Reporting Banks - 1984, $000)

Asset Size in Millions

Compensation Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only		65%	61%	56%	43%	41%	30%	26%	36%
Media Commissions Only			4	6	3	7	13	18	21
Both Fees and Commissions	100%	35	36	38	54	52	58	56	43

TABLE 17
AVERAGE EXPENDITURE FOR FEES AND COMMISSIONS AT AN OUTSIDE ADVERTISING AGENCY

Asset Size in Millions

Compensation	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Number of Reporting Banks	2	5	9	19	68	43	19	27	6
Median Expenditure	$3.4	$5.0	$ 5.1	$10.5	$19.0	$35.8	$ 80.0	$192.0	$392.0
Average Expenditure	8.2	6.9	10.6	20.9	24.4	50.6	143.2	280.9	474.4

Agency Compensation

Banks which indicated on the questionnaire that they used an advertising agency as their primary source of advertising also were asked how the agency was compensated.

In general, use of 'fees only' was highest in the smaller banks (starting at 65%) and lowest in the largest banks (36% or less). Use of media commissions is low or nonexistent in the smallest banks, as might be expected from their low media budgets. Only 4% to 6% of banks under $100 million use 'commissions only', while 21% of banks over $5 billion do.

An arrangement of both fees and commissions is common in many banks and appears to be even more widely used than reported in last year's "Analysis." In the smallest banks about 35% use both fees and commissions while in the largest banks about one-half do. As in prior years, use of both is highest in the asset range of $500 million to $1 billion.

For further information on actual average or median dollar amounts paid to agencies, see the data in Tables 1 and 2.

Table 17 shows the results of a new question on the survey this year which asked the respondents to indicate their primary source for creating advertising. Those who indicated "Outside Advertising Agency" were then asked to estimate the total amount paid to their agency in 1984 for fees and commissions.

It is important to note the difference in the responses between this question and data presented earlier in the report, and to understand fully what these figures mean. The difference between this table and the "Fees and Commissions" section of earlier tables (such as Tables 1 and 2) is that *all banks* were included in the earlier tables. This would encompass not only those banks which used an outside agency as their primary source, but also those which used an agency on a project or freelance basis and produced other materials in-house or through a holding company. Thus it is logical that this smaller group of agency-only users would report the higher figures shown here.

It also should be noted that agency billing practices vary widely, and although the survey questionnaire asked for "Fees and Commissions" only, some production billing may be included even though it was requested that the respondents exclude it from their data.

The table shows the number of banks reporting in each asset category, along with the median and average expenditures.

Thus for a bank of $350 million in assets, the median expenditure would be about $35,800 and the average about $50,600.

The expenditures are closely correlated to asset size, approximately doubling for both median and average as the bank asset size doubles.

TABLE 18
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1983/1984 BY ASSET SIZE

(All Reporting Banks - 1984, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1984 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	47	144	181	203	273	121	58	66	16
Average Expenditure	**$ 11.9**	**$ 19.1**	**$ 34.7**	**$ 60.1**	**$144.5**	**$308.6**	**$662.4**	**$1850.3**	**$4402.6**
Minimum Expenditure	5	1.0	2.7	6.0	12.8	56.0	55.8	437.9	505.3
Maximum Expenditure	59.0	102.0	155.9	237.0	1123.3	847.0	2012.0	5995.0	6665.0
Median Expenditure	**6.9**	**16.3**	**31.0**	**51.5**	126.0	**296.5**	**632.7**	**1462.7**	**4150.7**
1983 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	32	103	136	157	229	105	51	50	9
Average Expenditure	**$ 7.7**	**$ 16.6**	**$ 33.0**	**$ 62.2**	**$134.5**	**$273.1**	**$534.5**	**$1327.6**	**$2976.3**
Minimum Expenditure	8	5	2.3	1.0	17.0	12.0	90.0	190.0	600.0
Maximum Expenditure	50.0	85.0	232.0	647.5	1200.00	727.0	1164.0	3400.0	4681.9
Median Expenditure	**5.0**	**15.0**	**30.0**	**50.0**	119.3	**261.0**	**540.0**	**1053.0**	**3092.0**

Table 18 shows a summary of marketing expenditures by bank asset range for both 1983 and 1984. The 1983 expenditures are as indicated by each responding bank on this year's questionnaire and are not taken from last year's "Analysis." Each table shows the number of banks responding, along with the average expenditure, minimum and maximum expenditure, and the median expenditure.

The data for 1984 show increases in the average expenditure in all asset ranges, with the exception of banks in the range $50 million to $100 million.

While it would be possible to make estimates from this data on what the banking industry at large spends on marketing, there are a number of limiting biases. The number of banks in each asset range changes each year. Further, responding banks, as mentioned earlier, may not make expenditures typical of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.

Confidential Study
Of Bank Marketing Expenditures

BANK MARKETING ASSOCIATION

An affiliate of American Bankers Association

INSTRUCTIONS FOR COMPLETING FORM

- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]

Part I. U.S. BANK MARKETING EXPENDITURES (excluding salaries)

Please allocate your 1984 non-salary marketing expenditures as best you can among the following:

(Enter Amounts in $000)

A. ADVERTISING

1. Magazines [illegible] $
2. Directories [illegible]
3. Newspapers
4. Television
5. Radio
6. Direct Response [illegible]
7. Outdoor and transit [illegible]
8. Production expenses [illegible]
9. [illegible]
10. All other advertising [illegible]

A) Sub-Total for Advertising $ ______

B. PUBLIC RELATIONS

[illegible]

B) Sub-Total for Public Relations $ ______

C. SALES PROMOTION

[illegible]

C) Sub-Total for Sales Promotion $ ______

D. STAFF SALES/CUSTOMER RELATIONS TRAINING

[illegible]

D) Sub-Total for Staff Sales/Customer Relations Training $ ______

E. MARKETING RESEARCH

[illegible]

E) Sub-Total for Marketing Research $ ______

F. ALL OTHER NON-SALARY MARKETING EXPENSES NOT ACCOUNTED FOR IN A—E ABOVE $ ______

Total 1984 Non-Salary Marketing Expenditures (Sum of A—F above) $ ______

(Please complete Side Two)

Part II. SERVICE ALLOCATION OF 1984 NON-SALARY MARKETING EXPENDITURES

Please indicate the approximate percentage amount of your total marketing budget allocated to each of these five categories:

______% Retail (Individuals)
______% Commercial/Corporate (Business)
______% Trust
______% Institutional
______% Other (Specify)
100 % Total

Part III. GENERAL INFORMATION [illegible]

A. What were your bank's total assets as of December 31, 1984?

☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]

B. Was your bank part of a holding company in 1984?

☐ No
☐ [illegible] ☐ [illegible] ☐

C. For retail business, what best describes the kind of market in which your bank competes? [illegible]

☐ [illegible] ☐ [illegible]
☐ SMSA [illegible] ☐ [illegible]
☐ SMSA [illegible] ☐ [illegible]

D. What is the approximate population of the retail trade area checked in C above? [illegible]

☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]

E. Please indicate the approximate Total 1983 Non-Salary Marketing Expenditures for your bank (in $000)

$ [illegible]

Part IV. AGENCY COMPENSATION

A. Which one of the following was the bank's primary source for creating advertising during 1984?

☐ [illegible]
☐ [illegible]
☐ [illegible]
☐ [illegible]

B. (Answer only if you indicated use of an outside agency above). Please indicate the primary method you used to compensate your agency in 1984 (exclude production expenses such as printing and art).

☐ [illegible]

Estimated total of two paid in 1984 $

☐ [illegible]

Estimate the total you paid your agency in media commissions: $

☐ [illegible]

Advertising fees paid agency in 1984 $

100 % Total

Thank you for your responses. They are very important to the study. Please return this questionnaire in the enclosed postage-paid envelope. You need not identify yourself or your bank. [illegible] completely confidential.

If there are any comments you would add regarding your bank's marketing expenditures, please [illegible]

BANK MARKETING ASSOCIATION

American Bankers Association

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Analysis of 1985 Bank Marketing Expenditures

1986 Research Report
Advertising Department

4th Edition

BANK MARKETING ASSOCIATION 309 West Washington Street • Chicago, Illinois 60606

BANK MARKETING ASSOCIATION
309 WEST WASHINGTON STREET, CHICAGO, ILL. 60606

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HOW THE SURVEY WAS CONDUCTED

The "Analysis" contains more than 2,200 individual statistics on how banks in the United States spend their marketing budget to sell financial services. The survey which was used to gather the data from more than 1,000 banks and the resulting tables and graphs are designed to help bankers learn more about the budgeting process in bank marketing.

How to Use

This publication is not designed to show how much your individual bank should spend for marketing or in which media. In fact, as you become familiar with the data, you will see that there is quite a diversity in the statistics based on the various factors considered in the survey — asset size, market type and population size.

You will, nevertheless, identify certain trends in these statistics which will help you confirm your beliefs about your own and competing banks' expenditures or perhaps help you refine and improve your own marketing budget.

Comparison between years

The 1985 "Analysis" is in essentially the same format and expenditure categories as the prior three years' editions to allow for direct comparison of changes. For a detailed study of differences between 1985 and those years, you may obtain a copy of the 1982, 1983 or 1984 "Analysis" from BMA.

Methodology

A four-page letter/questionnaire was mailed to a sampling of banks nationwide. Banks were chosen by random "nth" name selection from among two asset groups. Those under $100 million in assets (6,654) and those over $100 million in assets (2,680). The distinction in asset size samples was to compensate for lower response rates among community banks experienced in previous surveys.

A "Second Request" mailing was made to the same list four weeks later, and responses were cut off April 18, 1986.

A total of 1,106 questionnaires had been received at the cutoff date and of these 1,036 were usable returns. They were distributed as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	43	4%
$10 - $25	127	12
$25 - $50	180	18
$50 - $100	180	18
$100 - $250	276	27
$250 - $500	105	10
$500 - $1 billion	55	5
$1 billion - $5 billion	55	5
Over $5 billion	15	1

After the questionnaires were edited and key punched, the data was computer tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

The statistics are presented in several forms: In percentage terms, in dollar averages and in dollar medians.

The percentage computations are based on the number of respondents answering each specific question and are rounded to the nearest whole percentage.

Wherever the word "average" appears, it means the arithmetic mean. Averages for each category are based on the number of banks reporting. Since the number of banks reporting varies from category to category, the sum of the category averages usually will not be the same as the "total" averages.

The median is the middle value from a list of rank ordered values. For example, for the five values 4,000, 4,000, 4,200, 5,000 and 20,000, the median is 4,200 and the average or arithmetic mean is 7,440. There are as many banks above the median as there are below. Because the average is sensitive to extreme values (20,000 in this example) and the median is not, the median often represents a better estimate than the average.

Another feature incorporated into the data this year is the addition of "Minimum and Maximum" values for certain tables. The inclusion of this data shows the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

Dollar figures are rounded to the nearest $100.

Budgeting Methods

There are several commonly used methods for setting budgets. The more traditional methods consist of "rules of thumb" which are quick and easy to use, but have certain shortcomings as described below. Nonetheless, they may be helpful to planners as general guidelines for budget decisions:

- ***Percentage of Assets/Deposits Method:*** Uses a predetermined percentage as the basis for the budget, such as 1/10 of one percent of assets. This method does reflect the fact that larger institutions probably can afford larger budgets. It does not, however, account for other factors that influence marketing expenditure levels such as size of market, market share, opportunities for market development and competitors. Moreover, using current or forecasted assets/deposits as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of deposits and assets, not the other way around.
- ***Incremental Method:*** Simply tacks on a set increase over previous spending — for example, budgeting 5% more than last year. This method is an easy one to implement, often pegging the increase to the rate of inflation. The assumption, however, is made that goals and strategies closely imitate past history. If you are completely satisfied that last year's performance was so good that you only need to repeat the same or more of the same strategies and tactics, this may work. Simply "doing more of the same" may mean that programs that are no longer effective will be continued since no evaluation or justification of programs takes place. In addition, most institutions will want to adapt their plans in the face of external changes such as: legislative developments, changing consumer markets, strategies of competitive organizations, etc.
- ***Competitive Parity Method:*** Is based on matching competitors' expenditures. The actions of your competitors are allowed to dictate your budget. While that may provide the same communications "weight" as your competitors, it fails unless you are the same size **and** have the same goals. The assumption underlying this approach is that all firms in the marketplace have the same opportunities for profitable marketing. More likely, your opportunities will not be entirely the same as your competitors'. For example, a bank introducing a new service to compete with a competitor's already established service would probably need heavier promotional expenditures just to create awareness among customers.
- ***"Affordable" Method:*** Whatever is left over after other functions have been budgeted and a satisfactory profit planned goes to marketing. This method relegates marketing to definitely secondary status and does not consider the role of the marketing department or the objectives of the bank. It is possible that the resulting allocation will be too small to allow marketing to be very effective. At the other extreme, more may be spent than is needed. At some point, the benefit of increasing the number of advertisements in the local paper, for instance, is negligible. Three ads may not be marginally more effective in creating customer awareness of a new service than would two ads. Furthermore, budgets that fluctuate radically from year to year will make long range planning and the attainment of long term objectives very difficult.

All these "rule of thumb" methods fail to allow for flexibility and do not relate expenditures to your bank's specific marketing objectives. Although a budget created by these arbitrary methods is often referred to as a "budget plan", little planning and analysis has actually taken place. Nonetheless, they are useful as decision parameters and often are used in conjunction with a more analytical procedure like the task/objective method.

Task/Objective Approach

Unlike other methods in common use, the task/objective method makes the budget an integral part of your total marketing plan based on an analysis of the **unique needs** of your own bank.

In the task/objective approach, you first develop your marketing objectives, strategies and tactics, then you assign the costs for the marketing activities or tasks that will implement the selected strategy and achieve your goals. While advertising is usually the biggest part of the marketing budget, we should be careful not to overlook the other marketing elements: Public relations, sales promotion, sales/customer relations training and marketing research. Costs are assigned to these various functions based on their contribution to reaching our objectives. The budget, thus, becomes **the marketing plan in dollar terms.**

The Marketing Plan

The marketing budget is the fifth of six components of a good marketing plan. There are four other steps which should be taken first. The key steps in formulating a marketing plan are the following:

1. ***Situation Analysis:*** Where are we today? What are our strengths and weaknesses? What opportunities and/or threats are facing us?
2. ***Objectives:*** Where do we want to be tomorrow? What specific goals do we want to achieve?
3. ***Strategy:*** What are the available paths to reach our goals? What will our organizational "game plan" be?
4. ***Tactics:*** What, specifically, will we do to implement the strategy? What action plans, timetables, activities, etc.?
5. ***Budget:*** How much will it cost? How will our resources be allocated?
6. ***Evaluation:*** Is it working? How do the actual results compare to our stated objectives?

There are important advantages to writing a thorough marketing plan. It brings organization and efficiency to both short term and long term activities of the bank. A written plan provides staff and suppliers time to prepare for and implement programs, and reduce the risk of errors or expense that accompany unplanned marketing. The plan assures that marketing activities occur in an orderly sequence, reaching the right prospects, at the right time, at the lowest expense possible.

Your written plan also is helpful from the organizational standpoint. It alerts others in the bank when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. The plan should be a written document, with input from a wide range of personnel. And, it should be considered an evolutionary document. Each plan your bank prepares is more accurate and thorough than earlier ones. For that reason, consider the plan a flexible document that changes with the marketplace.

Getting Your Budget and Plan Approved

When submitting your marketing plan and budget to management, keep the following points in mind:

- Do your homework. Know the history of the bank's marketing expenditures in prior years, and their marketing successes and failures. Know the marketing problems facing your bank and formulate strategies aimed at solving these problems.
- Anticipate any management objections and prepare answers for them.
- Develop arguments to counter proposals to stop or curtail advertising or other marketing activities during temporary adverse conditions.
- Present marketing expenditures not as a cost but as an investment that leads to future profits.
- Submit realistic numbers. Don't "go in high." Stress that your budget has not been padded, that it represents the least expense that can be expected to achieve the desired objectives.

Managing With a Budget

A written plan and budget are blueprints for action. Rather than leaving results to chance and merely reacting to events on a day-to-day basis, use the plan as a **roadmap for actionable tasks,** allocating resources based on your stated objectives.

A marketing plan should not be set in stone, but rather should be adapted to changing economic and competitive conditions. Be prepared to cut or expand your budget to meet changing revenue, profit, cash flow requirements — or to take advantage of newly developed marketing opportunities. Or, you may need to counter unexpected expenditures by a competitor.

Planning is an on-going, dynamic process. A plan should be used daily, reviewed and updated. The greatest possible mistake is to write a marketing plan and put it on the shelf until it's time to write next year's plan. A good marketing plan is threadbare long before the year is over.

The plan and budget are also control mechanisms for evaluating progress toward the achievement of your marketing objectives. For the most effective measurement of promotional results against plan, your stated objectives and performance standards should be quantified whenever possible. Review actual program results periodically — at least on a monthly basis.

Expenditure levels should also be monitored and variances, whether below or above budgeted amounts, should be examined. If expenditures are running ahead of estimates — why? Have the underlying budget assumptions changed — are unforeseen influences causing this variance? If so, perhaps, your objectives and strategies should be modified. If not, budget cuts may be in order. If expenditures are running behind estimates — are your goals being achieved without the planned expenditure and are there alternate, new opportunities to pursue? If goals are not being met, perhaps spending should be increased to the necessary level.

In conclusion, systematic planning can mean improved performance for your bank and more efficient achievement of your marketing objectives.

HOW TO USE THE ANALYSIS

Regardless of which method you use in preparing your own bank's budget, this study should be of value in comparing it to other banks' nationwide.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. Obviously, when making comparisons, it's important to be comparing similar items.

Defining terms

The items used on our questionnaire were built around generally accepted industry definitions for consistency among responding banks so that users of this publication could readily compare their expenditures in similar categories.

Nevertheless, check how your bank classifies expenditures to determine if there are any major differences in yours and these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1987 budget to assure that the data will be comparable in the future.

A special word on advertising — the largest part of your marketing budget will most likely be advertising. In fact, on the average, 63% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but is also expensive. Cable television is a growing force in many markets. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations change formats, and audiences, regularly. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken from both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

HOW MUCH IS THE BUDGET

Tables 1 and 2 report on the average and median expenditures banks made during 1985. For both tables, the expenditures are shown in five major functional areas of marketing:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales Training
- Marketing Research

Each of these five areas also is divided into additional details. For example, media are shown under Advertising, shareholder relations under Public Relations, newcomer services under Sales Promotion and so on for each functional area.

The bottom line for each of the two tables shows the total marketing expenditures for the year. Because not all respondents included detail for each line item, the averages in each of the line items will not necessarily sum to the bottom 'total' line in those two tables. Nonetheless, the total line and each category total represent the average of all banks which reported an expenditure.

Average Expenditures

The average expenditure by banks in each asset range is shown in Table 1, and graphically in Figure A.

The total marketing budgets range from $10,300 for the banks under $10 million in assets to more than $4,567,000 in the banks with more than $5 billion in assets.

It also is possible to obtain an approximate index to the size of the marketing budget based on the asset size of a bank and to examine how the bank's size influences the amount of the budget.

This can be done by dividing the average marketing expenditure in each asset range, by the midpoint of that range. For example, the average marketing expenditure for banks in the $50 million to $100 million asset range is $61,800. That figure can be divided by the midpoint of that range ($75 million), to achieve a figure of 08%. That percentage indicates that on average, banks in that asset range have a marketing budget which approximately equals 08% of their total assets.

The other asset ranges and the index for each are shown here (note that the midpoint for the banks under $10 million is assumed to be $7.5 million and for those over $5 billion it is assumed to be $10 billion).

Asset Range in Millions	Marketing Budget as % of Assets
Under $10	137%
$ 10 — $ 25	107
$ 25 — $ 50	085
$ 50 — $100	082
$100 -- $250	080
$250 — $500	070
$500 — $1 Bil	089
$1 Bil — $5 Bil	040
$5 Bil or more	045

Thus, through economies of scale, or other factors, the marketing budget as a percentage of assets, declines as the size of the bank increases.

These percentages should be used only in the very broadest sense for comparisons and not as a formula for budgeting. They are derived from wide asset ranges, and there are extreme budget variances within each range. Further, the budgeting process as described earlier involves much more than simply allocating a percentage of assets to marketing. Other tables later in this report will show how the type and size of market also influence the size of the budget within each asset.

As noted earlier, averages can be affected by extreme values. Therefore, you may want to compare the average expenditures in Table 1 against the median expenditures in Table 2.

Median Expenditures

Table 2 and Figure A show the median expenditures which banks allocated for marketing in 1985. The median ranges from a low of $5,800 for the banks under $10 million in assets, to a high of $4,683,000 for banks in the "over $5 billion" asset category.

Median expenditures also are shown in Table 2 for each of the five functional areas of marketing and for the various detailed categories under them.

Percentage Allocations

The percentage of responding banks' budgets which were allocated to each marketing category are shown in Table 3. This table is especially useful to determine which expenditures receive priority in the budget, and how the priorities change as the size of the bank increases.

As in past years of the "Analysis", advertising accounts for the largest portion of the budget among the five major marketing functions. It increases from 53% of the budget in the smallest banks to 73% in banks with over $5 billion in assets.

While advertising still accounts for the largest share of the overall budget, its share has declined slightly, as it did in 1984. In 1983 it averaged 66% of banks' budget, declined to 62.5% in 1984 and decreased again to 61.4% in 1985.

Within advertising, certain trends appear related to the size of the bank. For example, Figure B shows clearly how television consumes only 1% of the budgets in smaller banks, but steadily increases upward to 17% at the largest institutions. Magazines also take a larger share of the budget as the size of the bank increases, rising from 1% up to 5% in the larger banks.

Newspapers still account for the largest single expenditure within most banks' budget, varying from 14% to 20% approximately correlated to bank size. The use of direct response also increases with the size of the bank, varying from 3% to 15%.

Larger banks also pay more for advertising production, such as artwork, typesetting, talent fees, etc. As Table Three shows, the percentage of the budget allocated to production in the smallest banks is only 1%, but increases to as much as 9% for those banks over $250 million.

The function which accounts for the next largest portion of expenditures is public relations. It receives from as little as 8% to as much as 24% of the marketing budget. Note though, that public relations is one of the few areas which receives a proportionately smaller allocation as the size of the bank increases. In the community banks, the allocation varies from 20% to 24% (for those banks less than $100 million in assets). But as the size of the bank increases beyond $100 million, the proportion spent on public relations decreases (from 19% down to only 8% in the largest institutions).

The largest expenditures within public relations for most banks are for donations and special events, although larger banks tend to increase their allocation to stockholder relations and decrease budgets for special events.

Sales promotion activities account for an only slightly lower percentage of the budget than public relations. Highest expenditures are again in the community banks (12% to 15%). There is a small decline among the middle tier banks (8% to 9%), and an increase of from 10% to 12% for those over $1 billion in assets.

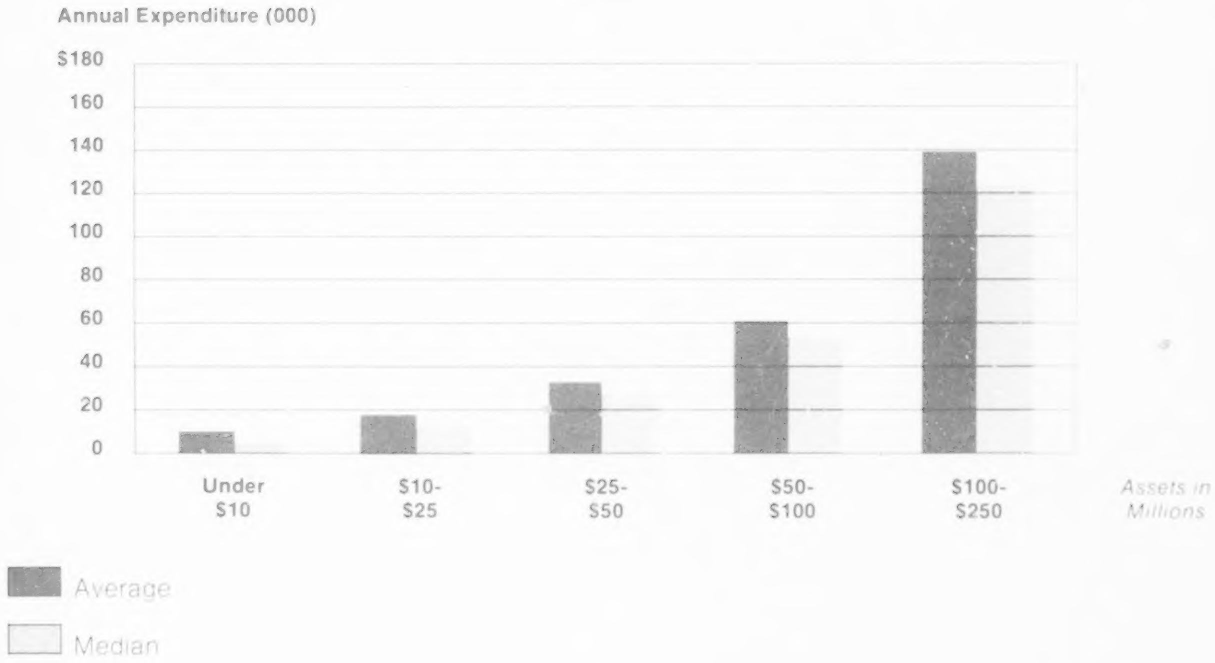
Staff sales/customer relations training is highest among community banks (4%) declining to only 1% in the banks over $250 million.

Research generally takes the smallest share of the budget for the five major functional areas, averaging from 1% to 4% of the total marketing budget.

AVERAGE AND MEDIAN MARKETING EXPENDITURES

The two graphs below show the total average and the median expenditures by asset size as taken from Tables 1 and 2.

Figure A



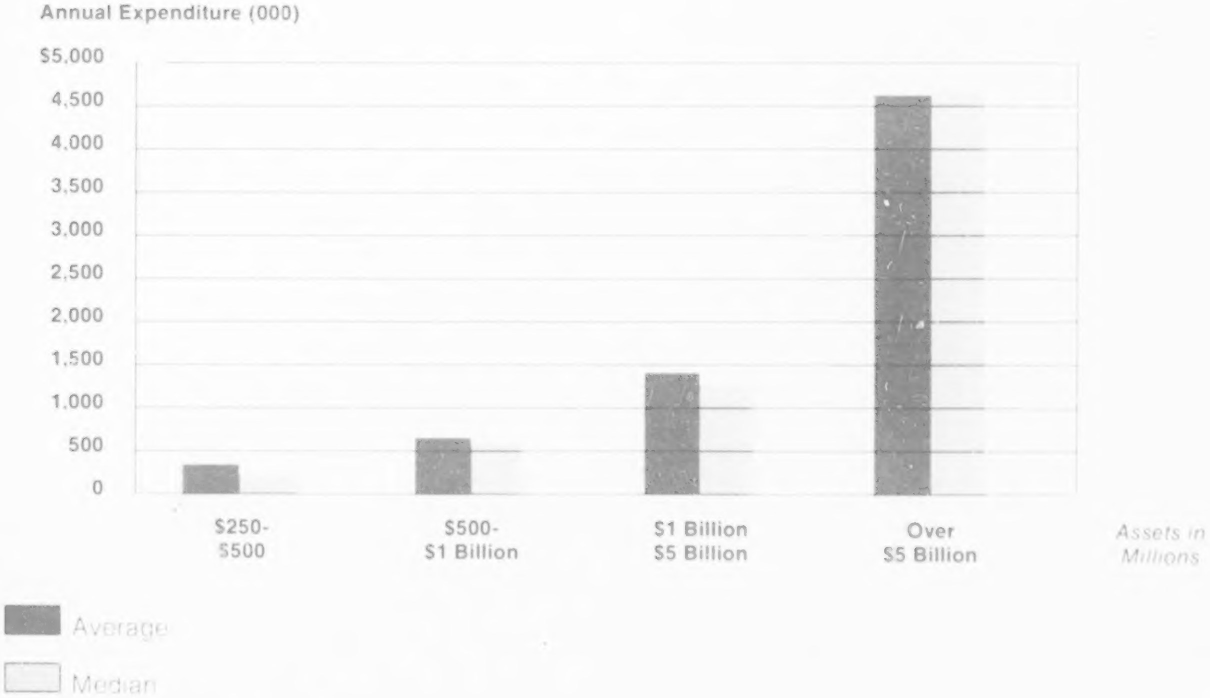


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE

(All Reporting Banks - 1985, $000)

	Asset Size in Millions								
Expenditure Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .7	$ 1.0	$ 1.6	$ 1.9	$ 5.6	$ 8.8	$ 18.6	$,62.1	$ 298.6
Directories (telephone, bank, city, etc.)	.8	.9	1.4	2.0	3.4	5.2	11.4	23.4	62.2
Newspapers	1.8	4.0	5.7	9.3	21.4	45.8	103.6	225.6	915.6
Television	3.8	2.8	3.6	4.2	22.5	37.7	78.7	314.9	825.7
Radio	2.1	2.7	5.5	10.2	20.0	26.7	63.3	115.5	313.8
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	1.9	1.6	1.9	3.4	7.0	24.8	114.7	114.6	351.8
Outdoor & Transit (billboards, taxi, bus, train cards, etc.)	2.7	2.0	3.5	5.7	10.8	22.1	29.9	63.4	153.1
Production Expenses (artwork, talent, etc.)	1.1	3.7	2.2	3.5	12.2	26.5	65.9	148.0	447.1
Fees & Commissions (advertising agency, media representative, consultants, etc.)	5.6	3.1	4.8	6.8	10.9	20.6	55.9	96.2	263.4
All Other Advertising	3.2	4.7	4.4	7.6	16.0	35.5	20.7	57.4	99.6
Sub-Total for Advertising	**6.0**	**10.3**	**17.6**	**34.1**	**88.8**	**180.7**	**441.0**	**1009.5**	**3342.3**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.7	1.6	2.0	2.3	6.1	13.6	40.2	69.1	216.5
Media Relations (press releases, press conferences, etc.)	.7	.5	.6	.9	2.4	2.5	4.6	8.2	20.5
Publications (community service publications, newsletters, etc.)	.6	1.1	1.4	1.9	3.4	6.9	10.5	20.0	67.5
Special Events (seminars, anniversaries, open house, etc.)	1.0	1.8	2.5	3.7	6.9	9.6	23.9	39.7	31.9
Public Relations Consultants Fees	1.0	3.4	2.7	4.5	10.6	11.8	16.4	38.1	31.0
Donations (donation advertising—schools, churches, civic clubs and related publications)	1.0	2.3	4.0	6.7	11.4	21.3	28.3	86.9	77.6
All Other Public Relations	2.7	1.5	3.7	5.4	9.6	16.6	16.4	34.1	101.1
Sub-Total for Public Relations	**2.6**	**4.4**	**8.2**	**14.2**	**27.4**	**47.4**	**96.3**	**198.0**	**404.8**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	1.0	1.5	3.0	3.5	6.5	10.5	14.9	57.9	114.0
Newcomer Services (non-salary only)	.2	.6	1.2	1.3	1.5	2.8	6.2	8.3	47.8
Specialities (giveaways such as calendars, pens, etc.)	1.7	2.6	3.7	5.3	8.7	10.3	18.1	22.1	72.1
Point-of-Sale Materials (displays, banners, brochures, etc.)	.9	1.7	1.0	1.8	4.1	8.1	22.0	73.3	369.2
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1.9	1.2	3.4	3.6	5.9	9.2	23.4	40.3	594.6
All Other Sales Promotion Expenses	.5	2.2	2.5	4.8	9.1	5.4	40.3	90.9	36.8
Sub-Total for Sales Promotion	**2.1**	**3.7**	**5.9**	**9.2**	**17.2**	**25.5**	**58.6**	**145.2**	**682.6**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.9	3.5	2.8	4.0	4.6	5.2	11.1	20.9	105.8
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.4	1.1	1.6	2.0	3.0	4.4	9.1	13.8	37.1
All Other Sales Staff/Customer Relations Training	1.9	2.2	2.8	2.2	4.9	3.9	6.4	28.2	41.6
Sub-Total for Staff Sales/Customer Relations Training	**1.9**	**3.1**	**3.1**	**4.2**	**5.9**	**7.0**	**16.1**	**36.1**	**121.4**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	2.9	7.8	2.6	3.6	6.9	8.1	22.5	46.1	203.8
Non-Salary Internal Expenses		.6	1.4	1.4	1.3	1.3	9.1	24.0	52.0
All Other Marketing Research		3.3	1.7	2.8	2.0	7.7	6.1	2.6	10.3
Sub-Total for Marketing Research	**2.9**	**5.2**	**2.3**	**3.5**	**5.9**	**8.6**	**25.1**	**56.6**	**232.3**
All Other Non-Salary Marketing Expenses	10.5	6.4	5.3	29.5	31.4	46.5	255.6	119.6	995.3
Total Marketing Expenditures	**10.3**	**18.6**	**32.0**	**61.8**	**140.9**	**264.5**	**668.0**	**1412.5**	**4567.0**

TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1985, $000)

	Asset Size in Millions								
Expenditure Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .3	$1.0	$ .7	$ 1.0	$ 2.0	$ 5.0	$ 9.2	$ 50.0	$ 225.7
Directories (telephone, bank, city, etc.)	.5	.9	1.0	1.5	2.6	4.2	10.0	17.3	50.0
Newspapers	1.0	2.6	4.8	8.0	17.4	35.0	90.0	182.3	901.2
Television	.5	1.8	1.0	2.8	11.3	24.6	70.0	202.3	825.0
Radio	1.0	1.5	4.0	9.0	15.0	23.0	41.6	88.5	309.0
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	2.0	1.0	1.0	2.1	3.1	7.5	24.5	72.0	282.1
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1.0	1.0	1.5	3.4	8.5	15.6	24.2	44.4	122.0
Production Expenses (artwork, talent, etc.)	1.0	2.0	1.0	2.0	7.0	20.1	43.4	110.0	433.9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	6.0	2.0	3.5	4.0	8.7	15.0	38.2	89.7	250.0
All Other Advertising	1.8	1.5	2.1	4.0	6.0	12.4	15.4	33.0	107.3
Sub-Total for Advertising	**3.0**	**7.5**	**14.8**	**29.1**	**73.0**	**156.1**	**363.1**	**850.7**	**3315.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.3	.6	1.0	1.2	4.0	10.0	26.0	66.5	202.9
Media Relations (press releases, press conferences, etc.)	.1	.4	.5	.5	.9	2.0	2.0	5.0	10.0
Publications (community service publications, newsletters, etc.)	.4	1.0	1.0	1.5	2.0	4.0	10.0	16.0	62.0
Special Events (seminars, anniversaries, open house, etc.)	.5	1.1	1.5	2.0	4.0	5.7	15.0	25.0	20.0
Public Relations Consultants Fees	1.0	2.2	1.1	3.0	4.0	3.0	16.2	36.0	8.8
Donations (include donation advertising—schools, churches, civic clubs)	.8	1.6	2.8	5.0	8.6	15.0	18.0	50.0	25.0
All Other Public Relations	.6	1.2	2.6	5.0	6.5	10.0	10.0	21.2	70.0
Sub-Total for Public Relations	**1.4**	**3.2**	**5.9**	**10.7**	**22.2**	**35.1**	**81.1**	**159.0**	**409.3**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	.1	2.0	1.5	1.6	4.3	4.3	12.8	25.0	45.8
Newcomer Services (non-salary only)	.2	.5	.5	.7	1.0	2.0	2.0	5.0	25.0
Specialities (giveaways, such as calendars, pens, etc.)	1.0	2.0	2.5	4.4	7.0	8.0	10.0	13.0	27.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	.4	1.0	.7	1.0	2.6	5.0	15.0	31.0	250.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations effort)	1.2	1.1	1.4	1.7	3.9	4.0	10.0	15.0	39.3
All Other Sales Promotion Expenses	.1	2.4	.8	1.8	3.4	3.8	11.8	83.9	23.0
Sub-Total for Sales Promotion	**1.4**	**2.5**	**4.0**	**6.9**	**13.8**	**20.0**	**43.0**	**95.0**	**548.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	.5	1.5	1.0	1.0	2.5	2.0	9.0	10.0	73.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.4	.7	1.0	1.0	1.6	1.9	5.4	7.9	30.0
All Other Sales Staff/Customer Relations Training	.8	2.0	1.2	1.1	2.0	2.0	5.0	4.0	8.1
Sub-Total for Staff Sales/Customer Relations Training	**.5**	**1.7**	**1.5**	**2.0**	**2.7**	**3.7**	**10.0**	**10.0**	**85.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	3.5	7.1	2.0	1.5	3.6	3.0	15.1	27.0	198.5
Non-Salary Internal Expenses		.6	1.0	1.0	1.0	1.0	2.0	3.0	18.1
All Other Marketing Research		1.5	.5	1.0	.9	3.0	1.0	1.8	10.5
Sub-Total for Marketing Research	**3.5**	**3.4**	**2.0**	**1.0**	**3.0**	**4.3**	**14.2**	**27.0**	**201.7**
All Other Marketing Expenses	13.8	2.3	3.0	7.0	20.0	12.3	113.9	102.6	995.3
Total Marketing Expenditures	**5.8**	**13.5**	**27.4**	**54.3**	**124.5**	**228.6**	**551.8**	**1323.0**	**4683.2**

TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1985 BY ASSET SIZE

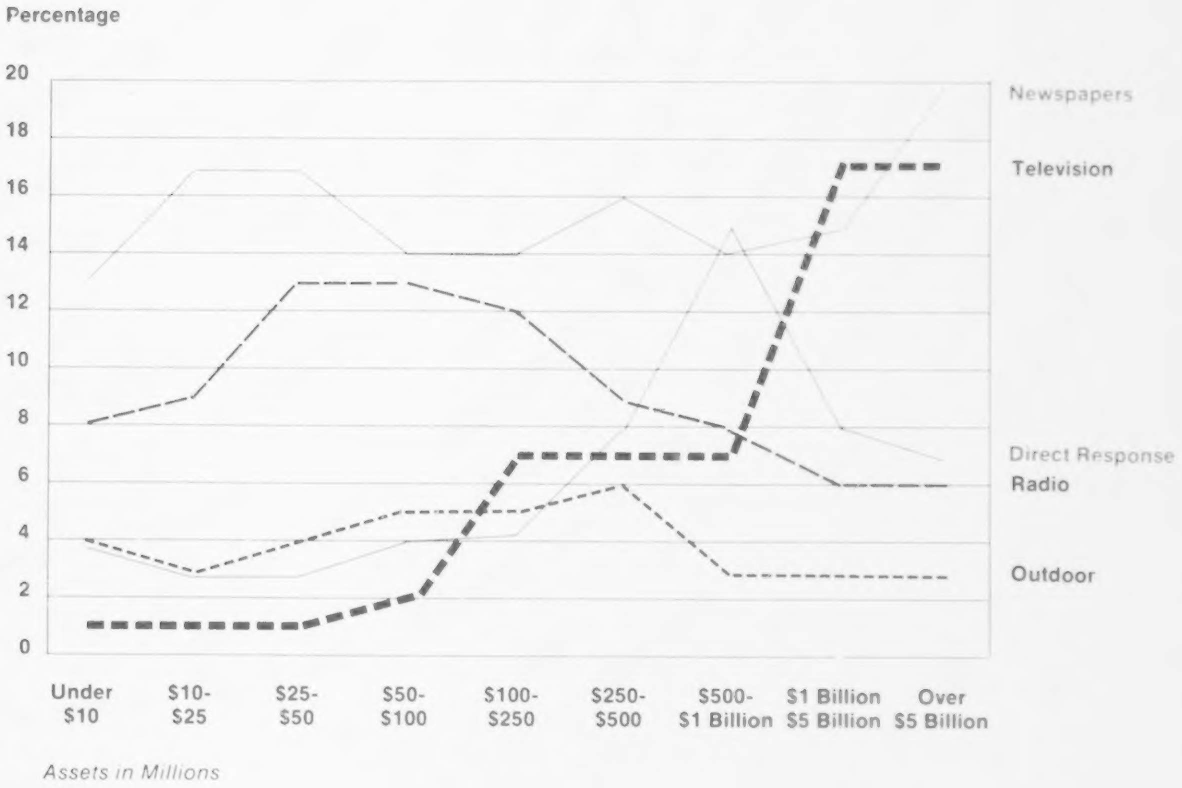
	Asset Size in Millions								
Expenditure Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	1%	1%	1%	1%	2%	2%	2%	3%	5%
Directories (telephone, bank, city, etc.)	5	3	3	3	2	2	2	1	1
Newspapers	15	17	17	14	14	16	14	15	20
Television	1	1	1	2	7	7	7	17	17
Radio	9	9	13	13	12	9	8	7	7
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	5	3	3	4	4	8	15	8	7
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	5	3	4	5	5	6	3	3	3
Production Expenses (artwork, talent, etc.)	1	4	2	3	7	9	9	9	9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	5	2	5	5	5	5	6	5	3
All Other Advertising	6	5	4	5	4	5	1	2	1
Sub-Total for Advertising	**53**	**54**	**54**	**54**	**62**	**67**	**66**	**70**	**73**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	1	2	3	2	3	4	5	3	3
Media Relations (press releases, press conferences, etc.)	*	*	*	*	*	*	*	*	*
Publications (community service publications, newsletters, etc.)	1	1	2	1	1	1	1	1	1
Special Events (seminars, anniversaries, open house, etc.)	5	4	4	4	3	3	3	2	*
Public Relations Consultants Fees	*	1	*	*	1	*	1	1	*
Donations (include donation advertising—schools, churches, civic clubs)	7	10	11	10	7	7	4	5	1
All Other Public Relations	6	1	3	4	3	2	1	1	2
Sub-Total for Public Relations	**20**	**21**	**24**	**22**	**19**	**17**	**14**	**13**	**8**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	*	1	1	1	1	1	1	1	1
Newcomer Services (non-salary only)		*	1	*	*	*	*	*	*
Specialities (giveaways, such as calendars, pens, etc.)	9	9	8	7	5	3	2	1	1
Point-of-Sale Materials (displays, banners, brochures, etc.)	1	2	1	2	2	2	2	4	4
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	2	1	3	2	2	2	2	1	5
All Other Sales Promotion Expenses	*	*	1	1	1	*	1	2	*
Sub-Total for Sales Promotion	**12**	**15**	**15**	**14**	**12**	**9**	**8**	**10**	**12**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	2	2	1	2	1	1	1	1	1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	*	1	1	1	1	1	1	*	*
All Other Sales Staff/Customer Relations Training	2	1	1	1	1	*	*	1	*
Sub-Total for Staff Sales/Customer Relations Training	**4**	**4**	**3**	**3**	**2**	**1**	**1**	**1**	**1**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	3	3	1	1	2	1	3	3	4
Non-Salary Internal Expenses		*	*	*	*	*	*	1	*
All Other Marketing Research		*	*	*	*	*	*	*	*
Sub-Total for Marketing Research	**3**	**4**	**1**	**1**	**2**	**2**	**3**	**3**	**4**
All Other Marketing Expenses	7	3	1	5	3	4	7	2	1
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)

Figure B



WHERE THE BUDGET IS SPENT

Percentage Using

While data in Table 3 show what share of the budget is allocated to various expenditures, Table 4 shows the percentage of banks which indicated an expenditure (any amount) for each type.

Nearly all banks (97% to 100%) indicated an expenditure for advertising. Within advertising, a majority of banks showed expenditures for directories, newspapers and radio. Newspapers ranged from 80% to 100% of banks, while radio varied from a low of 50% in the smallest banks to 80% or more of all those banks over $50 million in assets. Use of direct mail is closely correlated to bank size, too, with 25% of smallest banks and 85% to 95% of largest banks reporting expenditures.

As with advertising, public relations expenditures were reported by most banks (84% to 98%). Seventy five per cent or more of all banks reported donations expenditures, and 39% or more reported special events activities such as an open house, seminar, or anniversary. In the smaller banks, only 14% reported expenditures for shareholder relations, while two-thirds or more of larger banks did.

Most banks also reported sales promotion expenditures, ranging from 73% of smallest banks to 96% in larger banks. Staff Sales Training was allocated a portion of the budget by about one-third of the smaller banks and about one-half of the larger banks. Only 11% to 14% of the smallest banks reported research expenditures, but more than 80% of larger banks did.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1985 BY ASSET SIZE

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	18%	18%	23%	29%	43%	54%	76%	73%	73%
Directories (telephone, bank, city, etc.)	68	58	72	79	82	87	89	87	93
Newspapers	91	80	93	93	94	95	89	93	100
Television	5	9	12	23	41	46	62	78	93
Radio	50	61	76	81	86	86	80	82	100
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	25	43	53	65	79	82	85	95	93
Outdoor & Transit (billboards, taxi, bus, train cards, etc.)	18	24	37	52	64	67	60	69	87
Production Expenses (artwork, talent, etc.)	16	18	34	52	78	87	87	87	93
Fees & Commissions (advertising agency, media representative, consultants, etc.)	9	14	31	43	58	62	76	71	53
All Other Advertising	20	20	28	42	38	36	44	45	47
Sub-Total for Advertising	**98**	**97**	**98**	**98**	**99**	**98**	**100**	**98**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	14	25	46	56	66	71	76	67	67
Media Relations (press releases, press conferences, etc.)	5	5	11	9	20	33	47	56	80
Publications (community service publications, newsletters, etc.)	11	22	36	36	49	54	64	45	87
Special Events (seminars, anniversaries, open house, etc.)	50	39	54	66	70	74	80	71	60
Public Relations Consultants Fees	2	3	6	3	7	4	27	24	27
Donations (include donation advertising—schools, churches, civic clubs)	75	80	90	88	92	87	91	80	73
All Other Public Relations	25	15	29	36	42	32	35	49	73
Sub-Total for Public Relations	**84**	**89**	**96**	**96**	**98**	**97**	**98**	**93**	**93**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	5	9	16	17	22	18	24	31	40
Newcomer Services (non-salary only)	2	9	15	21	34	27	35	25	27
Specialities (giveaways, such as calendars, pens, etc.)	64	66	72	84	84	83	78	73	67
Point-of-Sale Materials (displays, banners, brochures, etc.)	14	20	36	56	60	73	71	75	53
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	16	11	25	34	44	53	49	47	40
All Other Sales Promotion Expenses	5	4	11	14	19	21	24	27	13
Sub-Total for Sales Promotion	**73**	**72**	**84**	**92**	**95**	**92**	**96**	**93**	**80**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	16	12	16	28	30	32	38	38	27
Non-Salary Internal Expenses (development, printing, classroom, etc.)	11	13	18	27	30	34	42	35	40
All Other Sales Staff/Customer Relations Training	11	6	13	18	14	10	7	29	13
Sub-Total for Staff Sales/Customer Relations Training	**30**	**26**	**34**	**49**	**52**	**50**	**53**	**58**	**40**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	11	7	8	13	34	46	80	80	80
Non-Salary Internal Expenses		4	5	8	12	14	25	42	40
All Other Marketing Research		2	4	7	8	7	11	15	20
Sub-Total for Marketing Research	**11**	**13**	**14**	**23**	**46**	**51**	**84**	**84**	**80**
All Other Marketing Expenses	7	9	9	11	14	21	18	29	7
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGET BY MARKET SIZE AND TYPE

Tables 5, 6 and 7 relate responding banks' marketing expenditures to the type and size of the market they are in. For example, Table 5 shows the average expenditures for the full marketing budget as did Table 1. But in this case, it is related to the population of the market, rather than to the size of the bank. The overall budgets are somewhat higher for 1985 in the two smallest markets than they were in 1984, but somewhat lower in the two larger population ranges.

Advertising expenditures range from $39,300 (the same as 1984) in the markets under 100,000, ranging upward to $1,176,000 in the markets of 1 million or more.

Table 6 shows the four different population ranges and the total marketing budget by the nine asset ranges of banks. And, Table 7 shows the same population information by six different market types.

For Tables 6 and 7, be aware that some of the breakouts include only small sample sizes of banks and care should be taken in projecting the data to other environments.

Among responding banks, about 66% were located in markets of 100,000 persons or less; 20% in markets of 100,000 to 500,000; 6% in markets of 500,000 to 1,000,000 and 8% in markets of 1,000,000 or more.

Tables 6 and 7 also show 'minimum and maximum' values for the responding banks along with the median and the average. These values, which represent the highest and the lowest expenditures in various categories, show the range of respondents' budgets to help you place your own in perspective.

Environment, of course, can have a strong influence on marketing expenditures. These tables allow the reader to compare more precisely their own bank budget and environment with responding banks. For example, you can use Table 5 to find the average expenditures for any of the more than 30 different categories based on your market's population. You can use Table 6 and 7 to determine typical overall budgets, narrowing the total down to the size of your bank and the size and type of your market.

As an example of how market size influences the budget, consider a $750 million bank in Table 6. In the smallest markets (under 100,000), the average bank spent $531,500. In markets up to 500,000, they spent $568,500; in markets up to 1,000,000, they spent $696,200, and in the largest markets (over 1,000,000), they spent $921,300.

These tables should be useful to you both in preparing your own budget, and in estimating how much competitors in your market may be spending. But these figures should not be considered hard and fast absolutes. Your marketing plan, as described earlier in the section on "Budgeting for Bank Marketing" should take into consideration the factors of your marketplace such as size, available media and competition.

Even smaller banks (with their smaller budgets) have been able to compete successfully with larger institutions by seeking out opportunities in a special niche ... such as serving smaller businesses, professionals, or others, rather than confronting the market head-on with a smaller budget.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1985, $000)

Expenditure Type	Population Size Under 100,000	 100,000-500,000	 500,000-1 Million	 1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.2	$ 11.6	$ 18.9	$ 79.6
Directories (telephone, bank, city, etc.)	2.1	6.7	8.3	22.1
Newspapers	10.8	41.5	74.0	315.6
Television	11.1	50.0	81.2	438.4
Radio	10.2	29.0	54.8	151.2
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	3.9	20.8	45.1	170.5
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	7.1	19.8	24.8	78.9
Production Expenses (artwork, talent, etc.)	8.7	28.7	49.1	151.5
Fees & Commissions (advertising agency, media representative, consultants, etc.)	7.9	21.2	41.7	97.8
All Other Advertising	8.5	25.3	27.3	67.5
Sub-Total for Advertising	39.3	173.4	295.0	1176.0
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	4.3	10.8	38.4	72.9
Media Relations (press releases, press conferences, etc.)	1.6	2.0	3.1	10.6
Publications (community service publications, newsletters, etc.)	2.4	6.2	7.6	25.5
Special Events (seminars, anniversaries, open house, etc.)	4.4	10.7	17.5	26.7
Public Relations Consultants Fees	8.7	5.7	13.5	29.6
Donations (include donation advertising—schools, churches, civic clubs)	7.0	16.8	32.8	52.1
All Other Public Relations	6.9	13.9	20.9	50.0
Sub-Total for Public Relations	15.6	40.2	80.1	171.9
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	4.0	11.1	9.0	60.7
Newcomer Services (non-salary only)	1.2	4.2	2.8	19.4
Specialities (giveaways, such as calendars, pens, etc.)	5.9	9.1	15.4	20.7
Point-of-Sale Materials (displays, banners, brochures, etc.)	2.5	10.5	25.3	95.2
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	4.0	12.1	15.8	118.2
All Other Sales Promotion Expenses	4.6	15.2	19.5	77.7
Sub-Total for Sales Promotion	9.8	28.2	45.3	201.6
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	3.8	5.5	12.7	28.6
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2.2	3.9	5.3	17.6
All Other Sales Staff/Customer Relations Training	2.8	5.7	36.5	12.5
Sub-Total for Staff Sales/Customer Relations Training	4.2	7.5	23.0	34.1
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	6.9	11.5	25.9	62.9
Non-Salary Internal Expenses	1.1	3.5	2.6	31.4
All Other Marketing Research	2.3	4.7	5.6	3.4
Sub-Total for Marketing Research	5.5	11.5	24.3	75.2
All Other Marketing Expenses	25.6	80.8	117.0	156.2
Total Marketing Expenditures	67.4	261.5	452.6	1620.8

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1985, $000)

	Asset Size in Millions								
Population Size	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	43	111	162	146	178	27	3		
Average Expenditure	$ 10.3	$ 18.1	$ 30.8	$ 56.9	$123.1	$216.3	$531.5		
Minimum Expenditure	1.2	1.0	2.0	3.5	4.6	71.3	351.7		
Maximum Expenditure	63.7	94.6	135.9	196.4	288.2	554.9	862.4		
Median Expenditure	5.8	13.5	26.9	49.5	113.5	207.5	380.5		
100,000 - 500,000									
Number of Reporting Banks	d	9	13	28	66	53	25	9	
Average Expenditure		13.9	41.3	75.9	157.8	298.3	568.5	1122.1	
Minimum Expenditure		2.0	3.9	13.1	20.0	18.0	70.2	292.8	
Maximum Expenditure		30.0	76.2	233.6	421.3	1736.4	1408.0	1670.0	
Median Expenditure		9.8	48.5	64.8	154.9	277.3	543.4	1187.1	
500,000 - 1 Million									
Number of Reporting Banks		2	d	4	18	15	14	9	
Average Expenditure		18.8		143.4	232.8	233.9	696.2	1157.2	
Minimum Expenditure		11.8		25.0	7.5	104.6	164.7	353.1	
Maximum Expenditure		25.7		243.6	525.0	413.5	1805.4	2045.0	
Median Expenditure		11.8		62.0	185.0	202.0	534.0	1287.0	
1 Million or More									
Number of Reporting Banks		d	2		7	9	11	36	13
Average Expenditure			44.9		213.1	277.7	921.3	1518.8	4549.1
Minimum Expenditure			16.0		118.4	141.7	285.0	536.8	250.0
Maximum Expenditure			73.9		289.7	501.0	2210.0	3147.5	8242.0
Median Expenditure			16.0		201.2	278.0	794.5	1348.0	4537.7

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1985, $000)

	Market Type					
Population Size	State-wide	Urban SMSA	Suburban SMSA	Urban Not SMSA	Suburban Not SMSA	Rural
Under 100,000						
Number of Reporting Banks	3	44	73	75	52	403
Average Expenditure	**$182.9**	**$123.7**	**$103.1**	**$103.4**	**$ 87.4**	**$ 43.0**
Minimum Expenditure	42.2	2.5	5.8	10.2	2.0	1.0
Maximum Expenditure	380.5	862.4	356.1	351.7	231.2	270.9
Median Expenditure	**125.9**	**103.9**	**93.1**	**96.4**	**66.9**	**29.7**
100,000 - 500,000						
Number of Reporting Banks	d	74	63	18	21	24
Average Expenditure		**336.1**	**236.0**	**264.2**	**186.7**	**166.6**
Minimum Expenditure		5.7	3.9	4.0	13.1	2.0
Maximum Expenditure		1670.0	1408.0	1736.4	772.2	916.6
Median Expenditure		**206.6**	**155.8**	**183.9**	**134.9**	**91.2**
500,000 - 1 Million						
Number of Reporting Banks	6	24	21	6	4	d
Average Expenditure	**459.2**	**435.3**	**390.8**	**452.2**	**434.3**	
Minimum Expenditure	139.8	11.8	7.5	25.7	41.8	
Maximum Expenditure	1323.0	1459.0	2045.0	1287.0	1113.4	
Median Expenditure	**349.8**	**245.0**	**243.0**	**158.6**	**185.0**	
1 Million or More						
Number of Reporting Banks	25	32	11	6	d	3
Average Expenditure	**2947.5**	**1121.8**	**665.1**	**707.3**		**1864.3**
Minimum Expenditure	560.1	9.9	193.8	141.7		1348.0
Maximum Expenditure	8242.0	4194.8	2165.0	1450.0		2210.0
Median Expenditure	**2550.0**	**690.7**	**415.0**	**278.0**		**2035.0**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank

BUDGETING FOR SERVICES

In order to track what types of services banks are selling with their marketing budget, the "Analysis" asked them to indicate what percentage of their total marketing budget is allocated to each of the following areas:

A) Retail (to individuals)
B) Commercial/Corporate (to businesses)
C) Trust
D) Institutional

Tables 8 and 9 show how much of the banks' budgets are allocated to these service categories, and the percentage of banks promoting each type.

Percentage Allocations

Retail services received slightly more emphasis this year among community banks and slightly lower emphasis in larger banks. As shown in Table 8, community banks spent from 56.4% to 73.4% of their budget on retail services, and larger banks spent from 54.3% to 60.5%. Emphasis on retail services overall declines somewhat as the size of the bank increases, based on 1985's data.

The second largest emphasis is on commercial/corporate services, which takes from 10.6% to 22.0% of the budget. Allocations for these services decline somewhat as the size of the bank increases.

Trust marketing, however, shows a clear increase in emphasis as the size of the bank increases, from less than 1% in the smallest banks, to more than 6% in the largest.

Institutional marketing also grows with the asset size of the bank. It increases from a low of 8.1% in banks from $10 million to $25 million in assets to as much as 20.5% in banks from $250 to $500 million in assets. Some of the activity may reflect mergers and name changes, especially among medium size banks.

Table 9 shows that retail services are promoted by more banks than any other single service type. Fifty nine percent of the banks under $10 million promote them, and the percentage increases to more than 90% in all banks above $250 million in assets.

Commercial/corporate services are the next most frequently promoted, ranging from 36% in the smaller banks to three fourths or more of the banks over $50 million.

Promotion of trust services, of course, also is closely related to asset size, with only 2% of smaller banks promoting them. The percentage increases to about 50% in the middle size range and to 80% in the largest banks.

Institutional marketing is used frequently — by about one-fourth of the smallest banks, to more than three-fourths of the larger banks.

Actual Expenditures

Table 10 shows the actual average expenditure amounts reported for these services. Retail expenditures average $7,700 in the banks under $10 million in assets, and range upwards to $2,812,800 in banks with more than $5 billion in assets. Commercial/corporate marketing expenditures average from $4,400 in the smaller banks to more than $657,000 in the largest. Trust ranges from $3,200 to $407,500, and institutional from $6,100 to $1,123,500.

Table 11 shows comparable figures based on the median expenditures. As would be expected, the median data are generally somewhat lower than those reported in the averages under Table 10.

Table 12 shows the expenditures again by type of service, only this time they are cross-tabulated by the population size of the market. As an example, expenditures for retail services range from $41,300 for banks in markets of under 100,000 population, to $999,100 for banks in markets with 1,000,000 or more people.

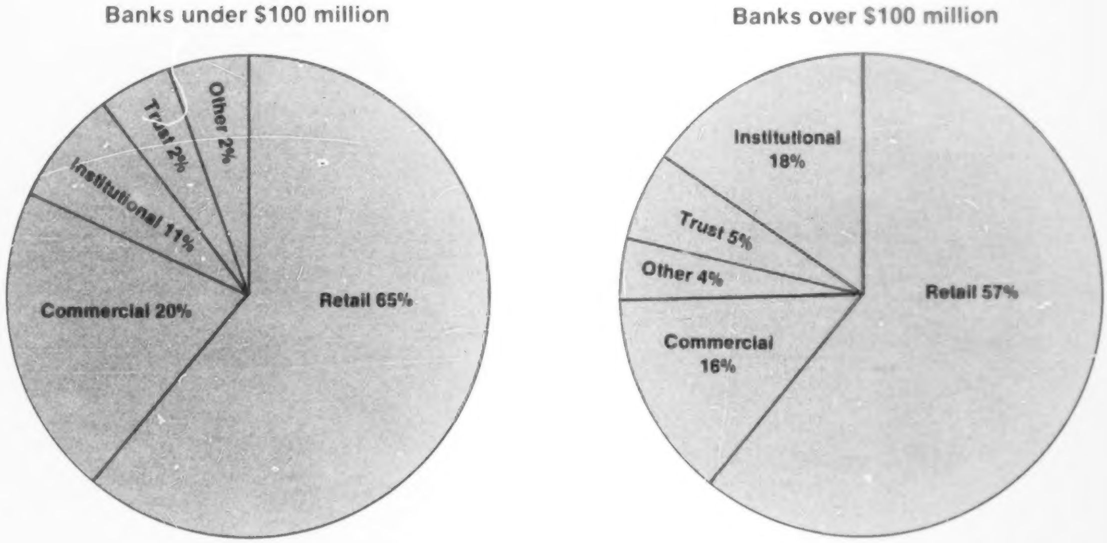
TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE BY ASSET SIZE

Service Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
	Asset Size in Millions								
Retail Services (individuals)	73.4%	67.5%	63.1%	56.8%	56.4%	54.3%	60.5%	57.8%	57.8%
Commercial/Corporate (business)	16.4	21.2	22.0	20.4	18.9	18.6	16.0	17.7	10.6
Trust	.2	1.7	1.4	3.3	5.3	4.8	4.4	4.4	6.1
Institutional	9.6	8.1	10.8	16.9	17.9	20.5	16.3	16.6	17.1
Other	.4	1.6	2.7	2.6	1.5	1.8	2.7	3.5	8.4
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Figure C



Banks under $100 million

Banks over $100 million

TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE BY ASSET SIZE

Service Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
	Asset Size in Millions								
Retail Services (individuals)	59%	73%	82%	83%	88%	90%	91%	96%	93%
Commercial/Corporate (business)	36	57	68	78	78	81	78	87	87
Trust	2	6	14	28	54	55	62	64	80
Institutional	23	24	37	56	63	73	73	76	67
Other	2	6	11	14	11	15	20	20	27

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1985, $000)

	Asset Size in Millions								
Service Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$7.7	$12.0	$19.9	$36.6	$77.3	$155.5	$436.1	$825.2	$2812.8
Commercial/Corporate (business)	4.4	5.9	9.7	14.2	32.6	51.0	123.4	287.7	657.8
Trust	3.2	2.5	2.9	5.9	11.6	19.1	39.1	104.8	407.5
Institutional	6.1	5.9	8.9	16.1	38.8	69.0	128.8	256.2	1123.5
Other	1.1	2.6	5.4	8.5	17.0	27.2	54.8	195.1	1112.3

TABLE 11
MEDIAN MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1985, $000)

	Asset Size in Millions								
Service Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$4.9	$9.8	$17.0	$31.1	$71.2	$121.9	$332.6	$673.4	$2550.0
Commercial/Corporate (business)	2.2	3.4	5.8	10.2	21.0	37.2	68.2	169.1	428.0
Trust	3.2	1.9	1.8	4.4	9.0	14.6	27.6	62.6	333.3
Institutional	2.2	4.1	4.7	9.7	24.6	43.8	87.5	177.7	1181.1
Other	1.1	1.8	2.9	6.6	12.7	19.7	32.7	195.9	428.0

TABLE 12
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1985, $000)

	Population Size			
Service Type	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$41.3	$157.1	$261.1	$999.1
Commercial/Corporate (business)	16.0	41.8	128.3	284.9
Trust	9.5	18.9	43.0	173.9
Institutional	21.5	74.5	117.4	284.1
Other	11.0	38.9	41.4	398.7

USE OF DIRECT MAIL

For the first time in the "Analysis," BMA asked banks about their use of direct mail to promote bank services. This medium has gained widespread acceptance in recent years for selling a variety of financial services. Therefore, the "Analysis" looked into how often banks use mail advertising and what types of services they promote with it.

Note that as part of the question description, it was specified that the bank should include information only about noncustomer promotional mailings. Statement enclosures to customers are specifically not included in the data.

The categories of information included in this section include:

- The number of promotional (noncustomer) mailings actually **sent in 1985.**
- The number of promotional (noncustomer) mailings the bank **expects to send** in 1986.
- The general **types** of services sold by mail (credit, deposit and corporate).
- Within those three general types of services, the **specific products** promoted (such as home equity loans, IRAs, money market accounts, etc.)

The findings from this special section of the "Analysis" are reported in Tables 13 through 15 and Figures D and E.

Who's Using Mail

Table 13 shows the percentage of banks which used (and did not use) mail advertising in 1985. It shows, for example, that in all asset categories, except those banks under $25 million, a majority of respondents used direct mail in 1985. The table also shows the number of mailings sent in each asset range (see Figure D for the average number of mailings).

Table 14 shows the percentage of banks which plan to use direct mail in 1986, and the number they expect to send (see Figure E for the average number planned). The table shows that the percentage of banks planning to use direct mail will stay the same or increase in 1986 in all asset ranges, except among those banks under $25 million in assets.

Figure D shows that the average number of mailings sent in 1985 is directly correlated to the size of the bank, increasing from .6 in the very smallest banks to 6.7 in the largest banks (note that average is for all banks . . . both users and nonusers).

The number of mailings they expect to send in 1986 increases in every asset range. While community banks expect to send .2 to 1.0 more mailings, the larger banks expect to send from 1.4 to 3.0 more mailings in 1986 than they sent in 1985.

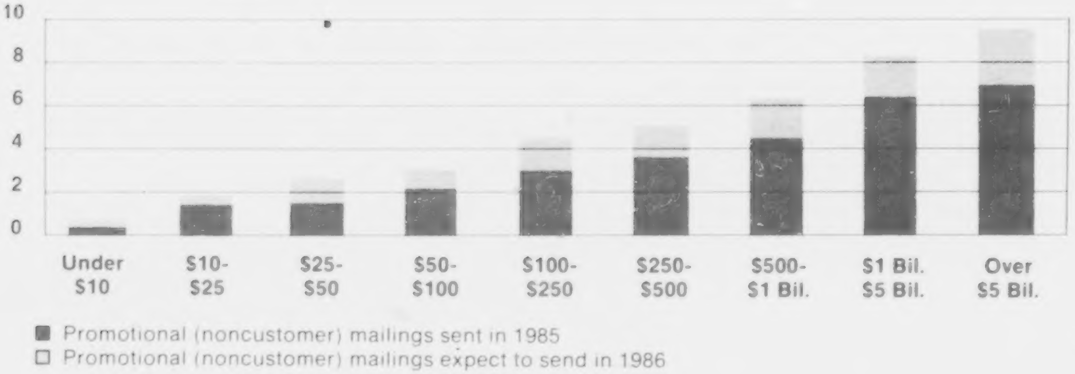
TABLE 13
USE OF DIRECT MAIL IN 1985
(All Reporting Banks - 1985)

	Asset Size in Millions								
Use of Mail	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	Over 5 Billion
Did Not Mail	72%	55%	47%	35%	14%	9%	5%	2%	—
Mailed 1-3	28	35	43	48	59	58	45	27	29
4-6	—	5	7	13	17	20	35	40	36
7-9	—	1	1	1	6	6	3	9	14
10 or more	—	4	2	3	4	7	12	22	21
Total Using Mail	28	45	53	65	86	91	95	98	100

TABLE 14
EXPECTED USE OF DIRECT MAIL IN 1986
(All Reporting Banks - 1985)

	Asset Size in Millions								
Use of Mail	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	Over 5 Billion
Will Not Mail	68%	56%	37%	26%	9%	2%	2%	2%	—
Will Mail 1-3	27	26	42	43	42	40	27	15	7
4-6	5	12	15	22	32	37	37	32	29
7-9	—	2	2	4	8	6	16	19	21
10 or more	—	4	4	5	9	15	18	32	43
Total Will Mail	32	44	63	74	91	98	98	98	100

NUMBER OF MAILINGS
(1985 Actual, 1986 Expected)
BY ASSET SIZE
Figure D



NUMBER OF MAILINGS
(1985 Actual, 1986 Expected)
BY ADVERTISING SOURCE
Figure E

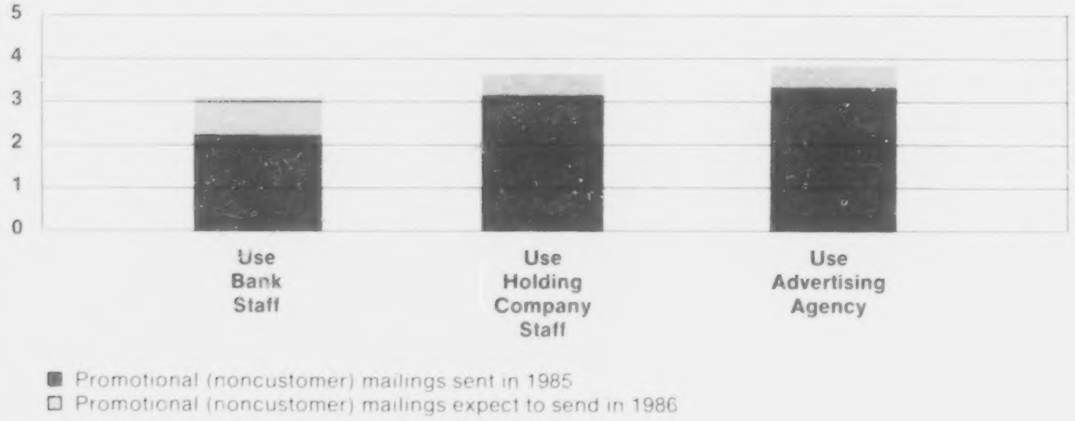


TABLE 15
SERVICES PROMOTED BY DIRECT MAIL

(All Reporting Banks - 1985)

	Asset Size in Millions								
Type of Service	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Credit	**23%**	**28%**	**41%**	**50%**	**69%**	**85%**	**85%**	**89%**	**100%**
Credit Card	2	5	11	16	31	48	44	56	87
Installment	18	19	22	19	34	37	33	33	53
Home Equity	5	10	8	16	26	39	51	55	53
Other Line of Credit	2	4	11	18	25	31	40	47	80
Mortgage	7	6	16	13	17	13	25	11	27
Other Credit Services		2	4	7	7	7	4	4	13
Deposit	**30**	**42**	**52**	**64**	**80**	**87**	**82**	**82**	**100**
Checking	16	26	26	27	26	17	25	16	20
Money Market	16	21	21	19	26	27	18	27	40
Short Term CDs	7	10	13	8	12	21	11	11	40
Long Term CDs	5	9	11	8	13	19	9	16	27
IRA	25	35	47	58	70	78	78	80	93
Other Deposit Services	7	4	12	14	16	15	16	9	13
Corporate	**16**	**14**	**21**	**29**	**33**	**49**	**42**	**38**	**40**
Deposit	11	9	11	13	11	14	16	15	7
Loans	11	9	12	12	16	24	25	22	7
Ancillary			1	2	5	4	5	5	
Institutional		3	5	7	11	16	18	6	13
Other			5	6	5	9	7	7	13

Table 15 shows how the subject of the banks' mailings changes with the size of the institution. Overall, credit and deposit products are those sold most often by mail, followed by corporate services.

Credit Services

Use of direct mail for selling credit increases from only 23% in the smallest banks to 100% in the largest banks. Table 15 shows which specific type of credit services banks are promoting. In the community banks, credit related to real estate such as home equity loans is promoted by 5% to 55% of responding banks.

The larger institutions are more likely to sell credit cards (more than one-half of those banks over $1 billion promoted them by mail), followed by home equity loans and other types of lines of credit. Mortgage lending is promoted at 6% to 27% of banks using direct mail.

Deposit Services

Table 15 shows that the likelihood of promoting deposit services by mail increases with the size of the bank, with about one-half of community banks and nearly all of the larger banks selling them.

Within deposit services, the product sold most frequently among community banks is Individual Retirement Accounts (from 25% of the smallest to 70% to 78% of the larger community banks). Among the largest banks, 78% to 93% sell IRAs by mail.

Other deposit services sold frequently by mail are certificates of deposit (both short and long term). Slightly more banks reported selling short term certificates (7% to 40%), than longer term certificates (5% to 27%).

Many institutions also reported selling money market accounts by mail. Again, larger institutions were somewhat more likely to promote MMAs than community banks. The community banks, however, were somewhat more likely to promote checking accounts (16% to 27%) than larger banks.

Corporate Services

As expected, larger banks are more likely to use mail to promote their various corporate services. Table 15 shows that these services were sold by mail at 14% to 33% of community banks, and at 38% to 49% of the larger institutions.

Table 15 provides a breakdown of the corporate services sold by mail. Loans are promoted most often (7% to 25% of all banks), followed by institutional advertising (3% to 18%) and deposit services (7% to 16%). Ancillary corporate services are sold by 1% to 5% of banks which use mail advertising.

USE OF ADVERTISING AGENCIES

For the fourth consecutive year, the "Analysis" has tracked the use of advertising agencies by banks and how they compensate them. The two pie charts in Figure F show the primary source of advertising for two size ranges of banks — those under $100 million and those over $100 million.

As noted in prior years, there is a pronounced difference in the use of advertising agencies based on the size of the bank. For example, among banks under $100 million, about three out of four prepare their advertising within the bank, while in banks over $100 million, three out of four (76%) use an advertising agency.

Table 16 shows the percentage of banks using each of the different sources by nine asset ranges. The use of bank staff is highest in the smaller banks (86%) and lowest in the banks above $250 million (40% declining to none in the largest asset size). Conversely, use of advertising agencies is lowest in the community banks (as low as 10%) and increases with bank size up to 100% for those banks over $5 billion in assets. Use of holding companies fluctuates along the scale of bank size, varying from 2% to 11%.

Table 17 shows how the population size of a market influences the likelihood of using an advertising agency. In the markets under 100,000 population, 62% of the banks prepare their own advertising, compared to only 13% of the banks in the markets of over 1,000,000 population. And, while agencies are used by only 30% of banks as their primary advertising source in markets under 100,000, they are used by 80% of the banks in markets of more than 1,000,000.

Similar findings are true in Table 18 which shows that advertising agencies are used most often in statewide markets (91%) and least often in rural markets (22%). In urban markets, 29% of banks prepare their own advertising, 7% use holding companies and 59% use an outside agency.

SOURCE FOR CREATING ADVERTISING

Figure F

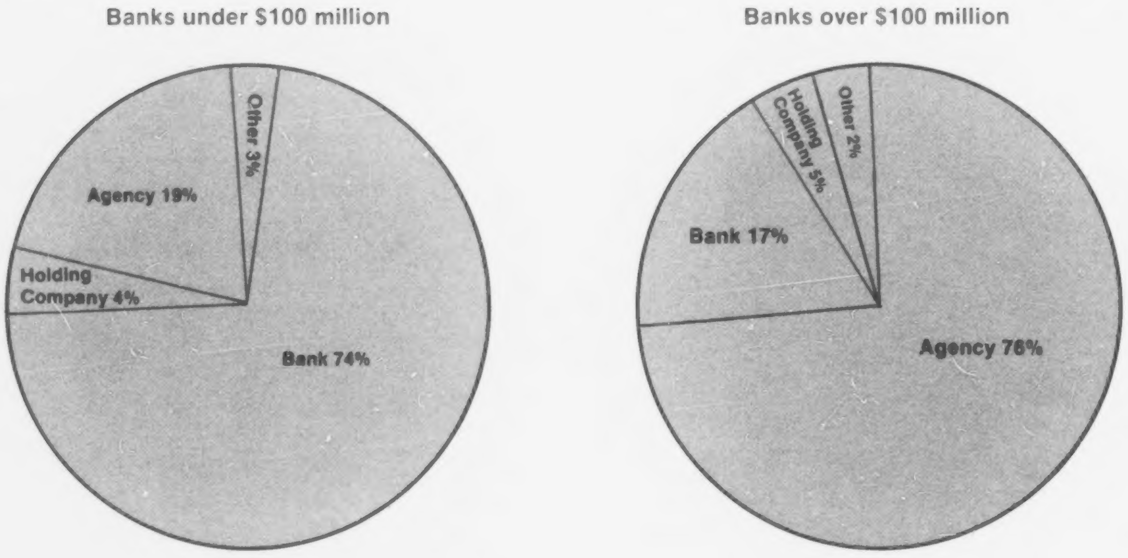


TABLE 16
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1985

(All Reporting Banks - 1985, $000)

	Asset Size in Millions								
Primary Source	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	86%	80%	69%	61%	40%	26%	13%	7%	
Used Holding Company Staff		7	4	6	5	8	11	2	
Used Outside Agency	10	12	22	30	54	63	73	91	100%
Other	5	2	4	3	1	4	4		
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 17
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

Primary Source	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	62%	32%	27%	13%
Used Holding Company Staff	5	7	5	5
Used Outside Agency	30	59	65	80
Other	3	2	3	3
Total	100%	100%	100%	100%

TABLE 18
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

Primary Source	State-wide	Urban SMSA	Suburban SMSA	Urban Not SMSA	Suburban Not SMSA	Rural
Used Bank Staff	6%	29%	32%	49%	51%	70%
Used Holding Company Staff	3	7	5	3	6	5
Used Outside Agency	91	59	55	48	41	22
Other		4	4	1	1	3
Total	100%	100%	100%	100%	100%	100%

TABLE 19
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1985

(Banks Which Use Agencies)

	Asset Size in Millions								
Compensation Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only		69%	72%	73%	39%	38%	28%	20%	
Media Commissions Only	—		6	6	8	2	8	16	33
Both Fees and Commissions	—	31	22	20	53	61	64	64	67

TABLE 20
AVERAGE EXPENDITURE FOR FEES AND COMMISSIONS AT AN OUTSIDE ADVERTISING AGENCY

	Asset Size in Millions								
Compensation	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Number of Reporting Banks	2	4	6	8	66	35	22	24	7
Median Expenditure	$6.0	$3.0	$13.5	$ 8.4	$15.0	$33.6	$ 75.0	$125.0	$471.7
Average Expenditure	8.1	6.8	14.6	10.3	24.1	70.9	103.9	161.2	666.9

Compensation Method

The method banks use to compensate their agencies varies not only with the size of the bank, but also with the type of work they need and their own internal resources.

The banks which indicated in the survey that they used an advertising agency as their primary source of advertising also were asked to describe which of the following alternatives they used to compensate their agency.

- Fees Only
- Media commissions only
- Both fees and commissions

Community banks are much more likely to use a fee basis than are larger banks. For example, 69% to 73% of banks from $10 million to $100 million in assets use a compensation system based on fees only. But in larger institutions, such as those over $500 million, the percentage does not exceed 28%.

Media commissions are used to compensate the agency most often in the largest banks. While only 6% to 8% of community banks use media commission as a method of compensation, up to 33% of the largest banks do. This is to be expected in that media budgets at smaller banks might not be large enough to fairly compensate the agency.

A system based on both fees and commissions is used by a minor portion of smaller banks, but by an increasingly larger portion of the largest institutions. Among banks above $250 million in assets, 61% to 67% use both fees and commissions.

Compensation Amount

Those responding banks which used an advertising agency also were asked how much they pay them on an annual basis. They were asked to include fees paid for creative, supervisory and account management time, but to exclude production expenses such as typesetting and artwork, and research or public relations fees.

Table 20 shows the results of this question, with both the median and average responses. It is important to note the difference in the responses to this question and the data presented earlier in this report. For example, Tables 1 and 2 include a line for "Fees and Commissions" which will differ from the figures in Table 20. The difference occurs because Tables 1 and 2 include data for all banks, encompassing not only those banks which used an outside agency as their primary source, but also those which used an agency on a project or freelance basis and produced perhaps other materials in-house or through a holding company. Thus, it is logical the smaller group of agency-only users in Table 20 would report different statistics.

To use this table, simply identify the bank asset range wanted and read the data contained in that column. For example, a $750 million bank would spend $103,900 on average, and the median expenditure would be $75,000 annually.

TABLE 21
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1984/1985 BY ASSET SIZE

(All Reporting Banks - 1985, $000)

	Asset Size in Millions								
	Under $10	$10- $25	$25- $50	$50- $100	$100- $250	$250- $500	$500- $1 Billion	$1 Billion- $5 Billion	$5 Billion or More
1985 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	43	127	180	180	276	105	55	55	15
Average Expenditure	**$ 10.3**	**$ 18.6**	**$ 32.0**	**$ 61.8**	**$140.9**	**$264.5**	**$668.0**	**$1412.5**	**$4567.0**
Minimum Expenditure	1.2	.7	2.0	3.5	4.6	18.0	70.2	292.8	250.0
Maximum Expenditure	63.7	94.6	135.9	243.6	525.0	1736.4	2210.0	3147.5	8242.0
Median Expenditure	**5.8**	**13.5**	**27.4**	**54.3**	**124.5**	**228.6**	**551.8**	**1323.0**	**4683.2**
1984 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	31	79	126	132	217	94	47	43	12
Average Expenditure	**$ 9.3**	**$ 17.7**	**$ 27.1**	**$ 72.3**	**$129.1**	**$244.6**	**$561.7**	**$1097.6**	**$3588.6**
Minimum Expenditure	1.0	1.0	1.0	12.0	5.0	2.0	6.0	1.1	250.0
Maximum Expenditure	60.0	130.0	69.0	954.0	758.0	2041.0	2350.0	3300.0	7000.0
Median Expenditure	**6.0**	**15.0**	**25.0**	**55.0**	**106.7**	**220.0**	**480.0**	**940.1**	**3872.4**

Marketing expenditures which banks made for both 1984 and 1985 are shown in this table. Note that the figures reported for 1984 are those indicated by respondents on this year's questionnaire and are not taken from last year's "Analysis." Each table shows the number of banks responding, along with the average expenditure, the minimum and maximum expenditure, and the median expenditure.

The data for 1984 show increases in the average expenditure in all asset ranges. Likewise, the median expenditures show increases in most ranges, with the exception of banks under $25 million.

While it would be possible to make estimates from this data on what the banking industry at large spends on marketing, there are a number of limiting biases. The number of banks in each asset range changes each year. Further, responding banks, as mentioned earlier, may not make expenditures typical of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.

Confidential Study
Of Bank Marketing Expenditures

BANK MARKETING ASSOCIATION
[illegible]

An affiliate of
American Bankers
Association

INSTRUCTIONS FOR COMPLETING FORM

- Enter data in thousands (Ex $7,400 = 7.4) (Ex $74,000 = 74.0) (Ex $7,400,000 = 7,400.0)
- Please try to indicate an amount (if any) for each of the A through E bold subtotal lines, even if you don't have data for all the items within that category
- If no expenditure was made in a category, indicate "0"
- If your bank is part of a holding company, please report only your bank's figures
- If you have questions, call Jeanne Devine at BMA, 312/782-1442

Part I. U.S. BANK MARKETING EXPENDITURES (excluding salaries)

Please allocate your 1985 non-salary marketing expenditures as best you can among the following:

(Enter in thousands)
(Ex $7.40 = 7.4)

A. ADVERTISING

1. Magazines (consumer, trade, etc.) .... $ ________
2. Directories (telephone, bank, city, etc.) .... ________
3. Newspapers .... ________
4. Television .... ________
5. Radio .... ________
6. Direct Response (direct mail literature, lists, postage, stuffers, telemarketing) ________
7. Outdoor and transit (billboards, taxi, bus, train cards, etc.) .... ________
8. Production expenses (artwork, talent, printing, filming, etc.) .... ________
9. Fees and commissions (advertising agency, media representative, advertising/marketing consultants, etc.) .... ________
10. All other advertising (please describe) ________ ________

A) Sub-Total for Advertising $ ________

B. PUBLIC RELATIONS

1. Stockholder/investment community (annual report, meetings, etc.) .... $ ________
2. Media relations (press releases, press conferences, etc.) .... ________
3. Publications (community service publications, newsletters, etc.) .... ________
4. Special events (seminars, anniversaries, open house, etc.) .... ________
5. Public relations consultants fees .... ________
6. Donations (include donation advertising — schools, churches, civic clubs & related publications) .... ________
7. All other public relations (please describe) ________ ________

B) Sub-Total for Public Relations $ ________

C. SALES PROMOTION

1. Net premium expense (cost of premiums less revenues from premium sales) ________
2. Newcomer services (non-salary only) .... ________
3. Specialties (giveaways, such as calendars, pens, etc.) .... ________
4. Point of sale materials (displays, banners, brochures, etc.) .... ________
5. Employee incentives (non-salary expenses directly related to employee sales/customer relations efforts) .... ________
6. All other sales promotion expenses (please describe) ________ ________

C) Sub-Total for Sales Promotion $ ________

D. STAFF SALES/CUSTOMER RELATIONS TRAINING

1. External expenses (consultant fees, materials, facilities, etc.) .... ________
2. Non-salary internal expenses (development, printing, classroom, etc.) .... ________
3. All other staff sales/customer relations training (please describe) ________ ________

D) Sub-Total for Staff Sales/Customer Relations Training $ ________

E. MARKETING RESEARCH

1. External expenses (supplier expenses such as consultants, field firms, data processing firms, etc.) .... ________
2. Non-salary internal expenses .... ________
3. All other marketing research (please describe) ________ ________

E) Sub-Total for Marketing Research $ ________

F. ALL OTHER NON-SALARY MARKETING EXPENSES NOT ACCOUNTED FOR IN A—E ABOVE (use a zero if none) $ ________

Total 1985 Non-Salary Marketing Expenditures (Sum of A—F above) $ ________

(Please complete Side Two)

Part II. SERVICE ALLOCATION OF 1985 NON-SALARY MARKETING EXPENDITURES

Please indicate the approximate percentage amount of your total marketing budget allocated to each of these five categories:

________% Retail (Individuals)
________% Commercial/corporate (Business)
________% Trust
________% Institutional
________% Other (Specify ________)
__100__% **Total**

Part III. GENERAL INFORMATION (Place a single check under each question)

A. What were your bank's total assets as of December 31, 1985?

☐ Under $10 million
☐ $10 million but less than $25 million
☐ $25 million but less than $50 million
☐ $50 million but less than $100 million
☐ $100 million but less than $250 million
☐ $250 million but less than $500 million
☐ $500 million but less than $1 billion
☐ $1 billion but less than $5 billion
☐ $5 billion or more

B. For retail business, what best describes the kind of market in which your bank competes? (check appropriate response; note: SMSA = Standard Metropolitan Statistical Area)

☐ Statewide
☐ SMSA — Urban
☐ SMSA — Suburban
☐ Urban but not SMSA
☐ Suburban but not SMSA
☐ Rural (none of the above)

C. What is the approximate population of your retail trade area checked in C above? (check appropriate category)

☐ Under 100,000
☐ 100,000 but less than 500,000
☐ 500,000 but less than one million
☐ One million or more

D. Please indicate the approximate Total 1984 Non-Salary Marketing Expenditures for your bank (in $000)

$ ____________ (in $000) — 1984

Part IV. USE OF DIRECT MARKETING

A. During 1985 we sent the following number of promotional mailings. (Do not include statement enclosures)

☐ None ☐ 1-3 ☐ 4-6 ☐ 7-9 ☐ 10 or more

B. During 1986, we plan to send the following number of promotional mailings. (Do not include statement enclosures)

☐ None (Go to Part V) ☐ 1-3 ☐ 4-6 ☐ 7-9 ☐ 10 or more

C. The services which we usually promote by mail are:

☐ Credit	☐ Deposit	☐ Corporate
Check Type(s):	Check Type(s):	Check Type(s):
__ Credit Card	__ Checking	__ Deposit
__ Installment	__ Money Market	__ Loans
__ Home Equity	__ Short Term CDs	__ Ancillary
__ Other Line of Credit	__ Long Term CDs	__ Institutional
__ Mortgage	__ IRA	
__ Other ________	__ Other ________	__ Other ________

Part V. AGENCY COMPENSATION

A. Which one of the following was the bank's primary source for creating advertising during 1985?

☐ Used bank staff (End Survey)
☐ Used holding company staff (End Survey)
☐ Used outside agency (Go to Question B)
☐ Other (specify) ________

B. (Answer only if you indicated use of an outside agency above). Please indicate which one of these methods you used to compensate your agency in 1985:

SELECT ONE

1. ☐ Both Fees & Commissions
Estimate total paid in 1985:
____
(in $000)

2. ☐ Only Media Commissions
Estimate total paid in 1985:
____
(in $000)

3. ☐ Only Fees
Estimate the fees you paid your agency in 1985 for creative, supervisory and account management time. Exclude production expenses such as typesetting and artwork and exclude other services such as research or public relations.
Estimate fees paid in 1985:
____
(in $000)

BANK MARKETING ASSOCIATION

Thank you for your responses. They are very important to the study. Please return this questionnaire in the enclosed postage-paid envelope. You need not identify yourself or your bank. Your answers will remain completely confidential.

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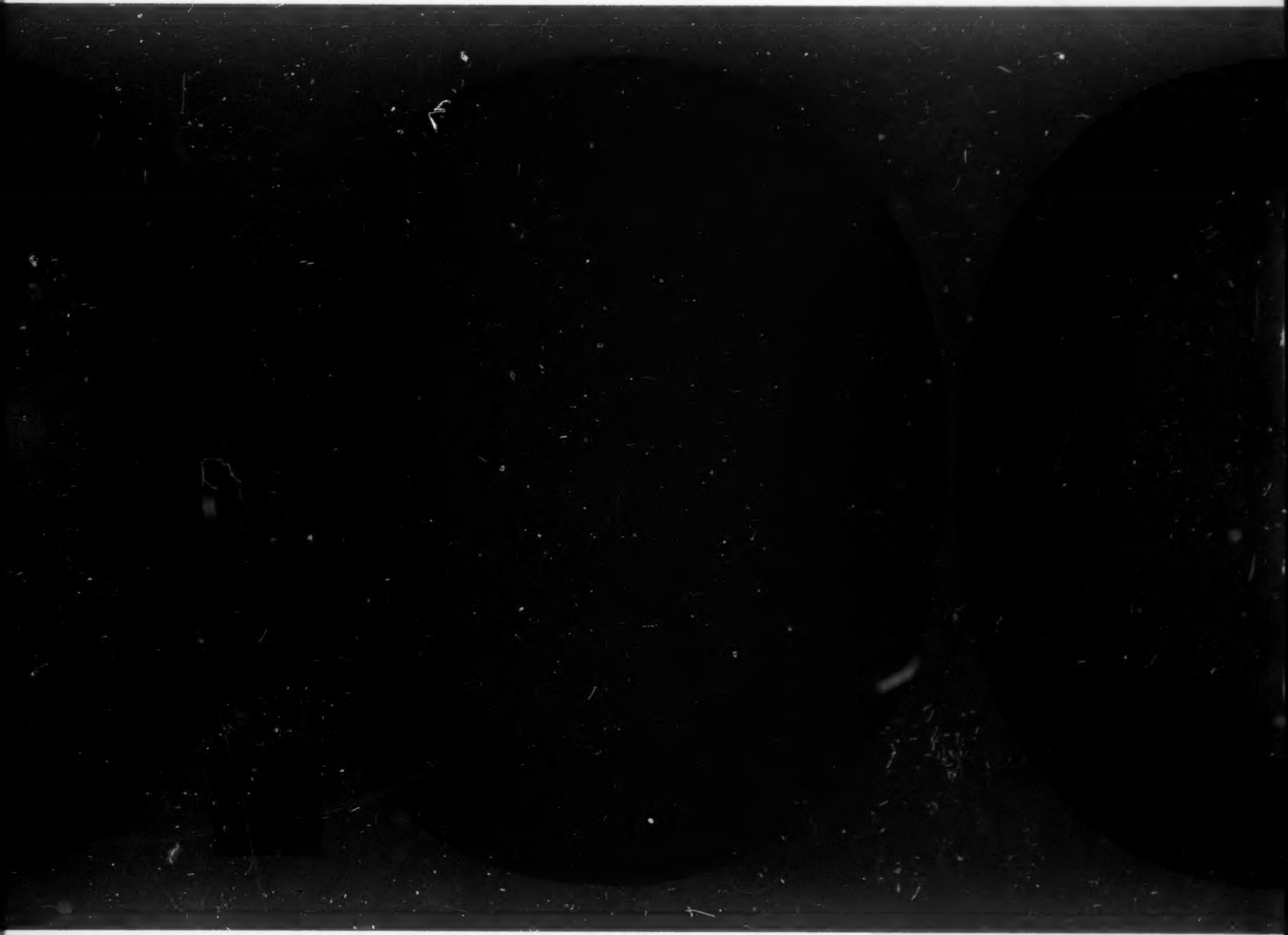
Analysis of 1986 Bank Marketing Expenditures

1987 Research Report
Advertising Department

5th Edition



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HOW THE SURVEY WAS CONDUCTED

The purpose of the "Expenditures Analysis" is to provide an understanding of how financial institutions of all sizes and in all types of markets are spending their marketing budget. It contains more than 2,200 statistics from more than 900 banks across the nation.

Applications in Your Bank

It is not intended that this publication show specifically how much your bank should spend on marketing, or where you should spend it. In fact, as you read the following pages and become acquainted with the information, you will see that there is quite a diversity in banks' budgets based on the various factors considered in the survey such as asset size, type of market and population size.

The report will, however, allow you to identify certain overall trends which can help you develop or refine the budgeting process in your own bank.

Comparison between Years

The format for this 5th Edition of the "Analysis" correlates to the four prior editions (1982 through 1985) to allow for direct comparison of changes. If you would like to examine results of prior years' "Analyses", you may obtain a copy for 1982, 1983, 1984 or 1985 from BMA.

Methodology

To gather the information for this year's study, a two-page questionnaire and explanatory cover letter were mailed to a random sampling of banks nationwide. Recipients were chosen by "nth" name selection from among two asset groups: Those under $100 million in assets (6,303) and those over $100 million in assets (2,549). The distinction in samples based on asset size was to compensate for a lower response rate among community banks as experienced in previous surveys.

A follow-up mailing was sent to the same list of banks four weeks later and responses were cut off April 27, 1987.

A total of 1,018 questionnaires had been returned at the cutoff date, and, of these, 942 were usable returns. They were distributed as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	43	4%
$10 - $25	122	13
$25 - $50	148	16
$50 - $100	148	16
$100 - $250	258	27
$250 - $500	103	11
$500 - $1 billion	55	6
$1 billion - $5 billion	49	5
Over $5 billion	16	2

The completed questionnaires were edited for accuracy and the data was key punched, tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

To facilitate understanding of the information, the statistics are presented in several ways:

- — percentage terms
- — dollar averages
- — dollar medians

Percentage computations are based on the number of respondents answering each specific question and are rounded to the nearest whole percentage.

Wherever the word "average" appears, it means the arithmetic mean. Averages for each category are based on the number of banks reporting. Since the number of banks reporting varies from category to category, the sum of the category averages usually will not be the same as the "total" averages.

The median is the middle value from a list of rank ordered values. For example, for the five values 4,000, 4,000, 4,200, 5,000 and 20,000, the median is 4,200 and the average or arithmetic mean is 7,440. There are as many banks above the median as there are below. Because the average is sensitive to extreme values (20,000 in this example) and the median is not, the median often represents a better estimate than the average.

Certain tables also include "minimum and maximum" values. These data illustrate the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

All dollar figures in the tables are reported in thousands and rounded to the nearest $100.

Traditional Budgeting Techniques

Budgeting is both an art and a science. There is no given rule that states how much an advertiser should spend or how he should spend it. Instead, there are several methods which people often use alone or in combination to determine their budget. The more traditional methods consist of "rules of thumb" which seem relatively quick and easy to use, but have certain shortcomings as described below. Still, they may be helpful to planners as general guidelines or checks on their budgeting decisions.

- ***Percentage of Assets or Deposits Method:*** In this case, a predetermined percentage of the bank's assets or deposits is used as the foundation for the budget, such as 1/10 of one per cent of assets. This is commonly stated as spending "$1,000 per million dollars of assets." While this method accurately reflects that larger banks can probably afford larger budgets, it does not account for other important factors which influence marketing expenditures. These might include the size of the market, market share, opportunities for market development and the level of competitors' spending. Moreover, using current or forecasted assets as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of assets, not the other way around.
- ***Incremental Method:*** This method, also commonly used, simply tacks on a set increase over previous spending. For example, a banker may simply say that the institution will spend 5% over last year's marketing budget in all categories. This method is easy to implement, often pegging the increase to the rate of inflation. And, it frequently is easy to persuade those who must approve the budget that it is sound practice. The assumption, however, is made that goals and strategies this year should imitate last year's. If you are completely satisfied that past performance was so good that you only need to repeat the same, or more of the same strategies and tactics, this method may work. But simply doing 'more of the same' may mean that programs which are no longer effective will be continued since no evaluation or justification of programs takes place. In addition, most institutions will want to adjust their programs in the face of external changes such as legislative developments, changing consumer markets, competitors' moves, etc.
- ***Competitive Parity Method:*** This technique relies on matching your competitors' expenditures. While it may guide you to 'keeping up with the competition', it allows your competitors with different resources and objectives to dictate your budget. Thus, it can fail unless you are the same size and have the same goals as the competition. The assumption underlying this approach is that all firms in the marketplace have the same opportunities for profitable marketing. More likely, your opportunities will not be the same as your competititors'.
- ***"All We Can Afford" Method:*** This method gives marketing whatever is left over after other functions have been budgeted and a satisfactory profit planned. The method relegates marketing to secondary status and does not consider the role of the marketing department or the objectives of the bank. It is possible that the resulting allocation will be too small to permit marketing to be effective. Or, at the other extreme, more may be spent than is necessary. For instance, at some point increasing the number of insertions of a newspaper advertisement may not be incrementally profitable. Furthermore, budgets that fluctuate radically from year to year will make long range planning and the attainment of long term objectives very difficult.

All these 'rule of thumb' methods limit the bank's flexibility and do not relate your expenditures to your specific marketing objectives. And, although a budget created by these methods may be easy to secure approval for, little planning or analysis has actually taken place. Still, they can be useful as decision parameters and often are used in conjunction with a more analytical procedure such as the following task/objective method.

Task/Objective Approach

This method, unlike the rules of thumb above, makes the budget an integral part of your total marketing plan based on an analysis of the unique needs of your own bank.

In this approach, you first establish marketing objectives for the bank. Next, set strategies and tactics to meet your objectives, then assign costs to the marketing activities or tasks you will use to achieve your goals. Although advertising is usually the largest portion of the marketing budget, we should be careful not to overlook the other marketing functions: public relations, sales promotion, sales training and *marketing research. Costs are assigned to these* functions based on their contribution toward achieving the objectives. Thus, the budget becomes the marketing plan in dollar terms.

The Marketing Plan

The marketing budget is the fifth of six components of a good marketing plan. There are four other steps which should be taken first. The key steps in formulating a marketing plan are the following:

1. ***Situation Analysis:*** Where are we today? What are our strengths and weaknesses? What opportunities and/or threats are facing us?
2. ***Objectives:*** Where do we want to be tomorrow? What specific goals do we want to achieve?
3. ***Strategy:*** What are the available paths to reach our goals? What will our organizational "game plan" be?
4. ***Tactics:*** What, specifically, will we do to implement the strategy? What action plans, timetables, activities, etc.?
5. ***Budget:*** How much will it cost? How will our resources be allocated?
6. ***Evaluation:*** Is it working? How do the actual results compare to our stated objectives?

There are important advantages to writing a thorough marketing plan. It brings organization and efficiency to both short term and long term activities of the bank. A written plan provides staff and suppliers time to prepare for and implement programs, and reduce the risk of errors or expense that accompany unplanned marketing. The plan assures that marketing activities occur in an orderly sequence, reaching the right prospects, at the right time, at the lowest expense possible.

Your written plan also is helpful from the organizational standpoint. It alerts others in the bank when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. The plan should be a written document, with input from a wide range of personnel. And, it should be considered an evolutionary document. Each plan your bank prepares is more accurate and thorough than earlier ones. For that reason, consider the plan a flexible document that changes with the marketplace.

Getting Your Budget and Plan Approved

When submitting your marketing plan and budget to management, keep the following points in mind:

- Do your homework. Know the history of the bank's marketing expenditures in prior years, and their marketing successes and failures. Know the marketing problems facing your bank and formulate strategies aimed at solving these problems.
- Anticipate any management objections and prepare answers for them.
- Develop arguments to counter proposals to stop or curtail advertising or other marketing activities during temporary adverse conditions.
- Present marketing expenditures not as a cost but as an investment that leads to future profits.
- Submit realistic numbers. Don't "go in high." Stress that your budget has not been padded, that it represents the least expense that can be expected to achieve the desired objectives.

Managing With a Budget

A written plan and budget are blueprints for action. Rather than leaving results to chance and merely reacting to events on a day-to-day basis, use the plan as a **roadmap for actionable tasks,** allocating resources based on your stated objectives.

A marketing plan should not be set in stone, but rather should be adapted to changing economic and competitive conditions. Be prepared to cut or expand your budget to meet changing revenue, profit, cash flow requirements — or to take advantage of newly developed marketing opportunities. Or, you may need to counter unexpected expenditures by a competitor.

Planning is an on-going, dynamic process. A plan should be used daily, reviewed and updated. The greatest possible mistake is to write a marketing plan and put it on the shelf until it's time to write next year's plan. A good marketing plan is threadbare long before the year is over.

The plan and budget are also control mechanisms for evaluating progress toward the achievement of your marketing objectives. For the most effective measurement of promotional results against plan, your stated objectives and performance standards should be quantified whenever possible. Review actual program results periodically — at least on a monthly basis.

Expenditure levels should also be monitored and variances, whether below or above budgeted amounts, should be examined. If expenditures are running ahead of estimates — why? Have the underlying budget assumptions changed — are unforeseen influences causing this variance? If so, perhaps, your objectives and strategies should be modified. If not, budget cuts may be in order. If expenditures are running behind estimates — are your goals being achieved without the planned expenditure and are there alternate, new opportunities to pursue? If goals are not being met, perhaps spending should be increased to the necessary level.

In conclusion, systematic planning can mean improved performance for your bank and more efficient achievement of your marketing objectives.

FACTORS THAT INFLUENCE BUDGET SIZE

Deciding on the proper size of your marketing budget is largely a matter of judgment. Some of the more important variables influencing this decision are:

- **Your Market:** The larger, more diverse your defined market, the larger your budget will tend to be. Reaching one or two well-defined market segments requires fewer resources than reaching a mass, diverse audience. Also, expanding to new markets will require advertising support, and correspondingly higher expenditure levels.
- **Your Services:** Heavier advertising expenditures to build consumer awareness and stimulate new business are generally necessary when introducing new products and services.
- **Your Competitors:** In general, market share correlates with share of voice — the share of total market advertising expenditures. This is not to say that spending in and of itself leads to advertising success. But advertising dollars are — or should be — related to the sales generated.
- **Your Management:** Your bank management's support of the advertising function and the degree of a marketing orientation rather than an operational orientation at your bank, will affect the marketing expenditure level. Particularly during a recession or when a bank's financial performance is below expectations, management's commitment to and understanding of marketing as an investment and not just an expense are crucial to maintaining spending levels.

HOW TO USE THE ANALYSIS

Regardless of which method you use in preparing your own bank's budget, this study should be of value in comparing it to other banks' nationwide.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. The basic categories used here are:

— Advertising
— Public Relations
— Sales Promotion
— Staff Sales/Customer Relations Training
— Marketing Research

Obviously, when making comparisons, it's important to be comparing similar items.

Defining terms

The items used on the "Expenditures" questionnaire were built around generally accepted industry definitions for consistency among responding banks.

Nevertheless, check your bank's classifications of expenditures to determine if there are any major differences with these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1988 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average, 63% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but it is expensive. Cable television is a growing force in many markets but often reaches narrower segments. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations can change formats, and audiences, regularly. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken among both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

HOW MUCH IS THE BUDGET

Tables 1 and 2 report on the average and median expenditures banks made during 1986. For both tables, the expenditures are shown in five major functional areas of marketing:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales Training
- Marketing Research

Each of these five areas also is divided into additional details. For example, media are shown under Advertising, shareholder relations under Public Relations, newcomer services under Sales Promotion and so on for each functional area.

The bottom line for each of the two tables shows the total marketing expenditures for the year. Because not all respondents included detail for each line item, the averages in each of the line items will not necessarily sum to the bottom 'total' line in those two tables. Nonetheless, the total line and each category total represent the average of all banks which reported an expenditure.

Average Expenditures

The average expenditure by banks in each asset range is shown in Table 1, and graphically in Figure A.

The total marketing budgets range from $8,800 for the banks under $10 million in assets to more than $6,021,000 in the banks with more than $5 billion in assets.

It also is possible to obtain an approximate index to the size of the marketing budget based on the asset size of the bank and to examine how the bank's size influences the amount of the budget.

This can be done by dividing the average marketing expenditure in each asset range, by the midpoint of that range. For example, the average marketing expenditure for banks in the $50 million to $100 million asset range is $56,000. That figure can be divided by the midpoint of that range ($75 million), to equal .075%. That percentage indicates that, on average, banks in that asset range have a marketing budget which approximately equals .075% of their total assets.

The other asset ranges and the index for each are shown here (note that the midpoint for the banks under $10 million is assumed to be $7.5 million and for those over $5 billion it is assumed to be $12.5 billion):

Asset Range in Millions	Marketing Budget as % of Assets
Under $10	.117%
$ 10 — $ 25	.123
$ 25 — $ 50	.094
$ 50 — $100	.075
$100 — $250	.076
$250 — $500	.076
$500 — $1 Bil.	.071
$1 Bil. — $5 Bil.	.050
$5 Bil. or more	.048

Thus, through economies of scale, or other factors, the marketing budget as a percentage of assets, declines as the size of the bank increases.

These percentages should be used only in the very broadest sense for comparison and not as a formula for budgeting. They are derived from wide asset ranges, and there are extreme budget variances within each range. Further, the budgeting process as described earlier involves much more than simply allocating a percentage of assets to marketing. Other tables later in this report will show how the type and size of market also influence the size of the budget within each asset.

As noted earlier, averages can be affected by extreme values. Therefore, you may want to compare the average expenditures in Table 1 against the median expenditures in Table 2.

Median Expenditures

Table 2 and Figure A show the median expenditures which banks allocated for marketing in 1986. The median ranges from a low of $6,500 for the banks under $10 million in assets, to a high of $4,672,000 for banks in the "over $5 billion" asset category.

Median expenditures also are shown in Table 2 for each of the five functional areas of marketing and for the various detailed categories under them.

Percentage Allocations

Table 3 shows the percentage of responding banks' budgets which were allocated to each marketing category. This table is particularly useful to reveal how banks allocate their expenditures, and how the priorities for banks change with their size.

Advertising

For example, in all nine of the asset categories (under

$10 million to over $5 billion), advertising accounts for the largest portion of the budget. It varies from 56% of the total budget at the smallest banks to more than 79% at the largest banks. This reflects allocations as surveyed in earlier years and, in fact, show somewhat larger allocations to advertising in both smaller and larger banks this year:

Year	Advertising As % of Marketing Budget
1982	62.0%
1983	66.0
1984	62.5
1985	61.4
1986	63.0

Within the advertising category, certain media are dominant in smaller banks, but shift in importance among larger banks. For example, television commands only 2% of the smallest banks' budgets (the average is lowered because so few use the medium) but receives 15% of the budgets among the largest banks. Newspapers account for the largest share of the budget overall, varying from 14% among medium size banks to more than 25% among the largest institutions. Radio also accounts for a significant portion of the budget — 8% to 11% among small to medium size banks, and 7% to 8% among the largest banks.

Direct response accounts for less than 5% of the budget of smaller banks, but increases to 6% to 9% among the larger banks. Production expenses for typesetting, artwork, talent, etc. also increase as the size of the bank grows, from as little as 2% in the smaller banks to 10% of the total marketing budget in the largest banks.

Public Relations — The percentage of the budget allocated to this category, unlike advertising, decreases as the size of the bank increases. For example, in the smallest banks, 21% to 28% of the total marketing budget is allocated to public relations. But among the largest banks, the figure declines to only 11%. Within this category, donations account for the largest portion, and range from 5% at the larger banks to 11% at the smaller banks. The second largest expenditure within public relations is for special events (such as seminars, anniversaries, open houses, etc.) which range from 10% at the smallest banks down to only 1% at the largest. Stockholder relations, such as the annual report, account for a slightly larger portion of the small banks' budgets (4% to 5%) than at the larger banks (3% for all banks over $500 million). Publications such as newsletters account for 1% to 2% at all banks.

Sales Promotion — This function accounts for a decreasing proportion of the budget as the bank size increases, from 12% for banks under $10 million in assets to only 5% for banks over $5 billion. Within the category, the largest expenditures among the community banks are for specialties (such as calendars, pens and other giveaways). Specialties however, account for only 1% to 3% of the budgets at the larger banks. Among the larger banks, the largest sales promotion expenditures are for point-of-sale materials (such as displays, banners and brochures) ranging from 3% to 4% of their budgets, but declining to only 1% of the community banks' budgets.

Staff Sales/Customer Relations Training — This marketing function accounts for only 1% of the larger banks' budgets, but as much as 3% to 4% of the community banks' budgets. Expenditures for training materials and consultants averages 1% in all banks.

Marketing Research — This function, which accounted for 1% to 4% in 1985, accounted for 1% to 6% of the total budgets in 1986. In general, research budgets tend to increase in proportion to the total budget as the size of the bank increases. The largest portion of these expenditures occurs for external expenses such as for consultants and supplies for field work and tabulation.

AVERAGE AND MEDIAN MARKETING EXPENDITURES

The two graphs below show the total average and the median expenditures by asset size as taken from Tables One and Two.

Figure A

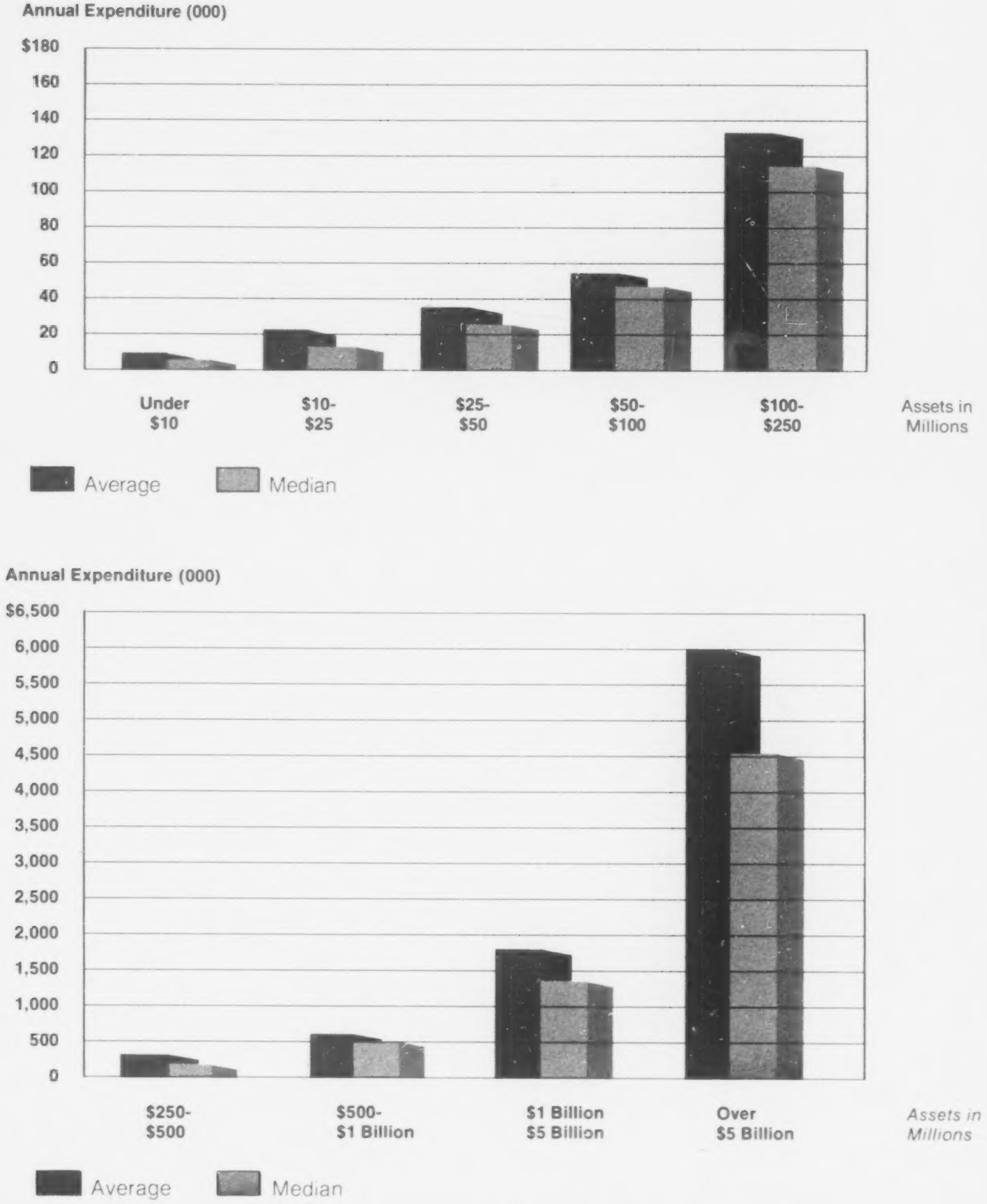


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

	Asset Size in Millions								
Expenditure Type	**Under $10**	**$10- $25**	**$25- $50**	**$50- $100**	**$100- $250**	**$250- $500**	**$500- $1 Billion**	**$1 Billion- $5 Billion**	**$5 Billion or More**
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .4	$ 1.8	$ 1.7	$ 1.5	$ 9.4	$ 9.3	$ 18.3	$ 65.1	$ 322.2
Directories (telephone, bank, city, etc.)	.9	4.5	1.4	1.7	4.0	7.0	12.2	24.0	38.8
Newspapers	3.0	4.0	7.1	9.4	20.2	52.1	93.6	317.3	1510.1
Television	1.2	3.9	5.9	5.6	17.5	41.9	68.4	298.1	1064.1
Radio	1.6	3.1	5.7	8.9	17.4	28.0	47.5	130.7	421.4
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	1.0	1.7	2.8	4.1	12.6	30.3	34.9	167.3	402.2
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	3.4	3.3	3.9	6.1	9.7	19.5	26.5	55.2	301.3
Production Expenses (artwork, talent, etc.)	.1	1.7	2.4	4.6	12.0	27.7	57.2	165.6	720.6
Fees & Commissions (advertising agency, media representative, consultants, etc.)	.7	2.6	6.5	7.1	12.2	18.9	42.3	129.7	436.7
All Other Advertising	1.3	2.9	4.1	6.1	10.0	20.4	31.1	95.4	162.0
Sub-Total for Advertising	**5.4**	**13.2**	**19.5**	**31.1**	**83.5**	**193.9**	**357.4**	**1232.9**	**4744.7**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	2.8	2.3	3.0	3.5	7.4	17.7	24.5	83.8	278.9
Media Relations (press releases, press conferences, etc.)	.5	.5	3.4	1.4	1.5	1.9	5.2	16.8	18.4
Publications (community service publications, newsletters, etc.)	.8	1.1	1.2	2.6	4.5	6.0	10.3	37.4	51.3
Special Events (seminars, anniversaries, open house, etc.)	2.5	1.9	3.4	3.2	6.9	12.9	20.6	61.3	83.9
Public Relations Consultants Fees		6.3	10.0	2.3	10.2	11.9	11.3	28.8	47.3
Donations (donation advertising—schools, churches, civic clubs and related publications)	1.2	1.9	3.6	6.6	13.2	20.4	38.5	126.2	440.6
All Other Public Relations	.3	2.3	4.5	5.5	8.0	16.8	21.0	39.9	66.7
Sub-Total for Public Relations	**2.8**	**4.8**	**9.3**	**14.7**	**29.7**	**53.6**	**91.1**	**280.1**	**744.6**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	.5	2.6	2.2	2.4	6.1	8.0	34.8	38.0	3.5
Newcomer Services (non-salary only)	.4	.6	.8	1.1	2.8	2.7	6.8	9.9	23.9
Specialties (giveaways, such as calendars, pens, etc.)	1.3	2.0	3.4	5.3	8.1	11.1	14.6	45.0	60.3
Point-of-Sale Materials (displays, banners, brochures, etc.)	.4	1.0	1.6	2.3	4.6	10.2	27.7	84.1	248.7
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.4	1.5	2.7	3.3	5.5	13.3	31.1	52.1	68.1
All Other Sales Promotion Expenses	1.5	1.9	3.5	4.1	6.0	7.0	16.7	36.2	20.6
Sub-Total for Sales Promotion	**1.7**	**2.9**	**5.4**	**8.4**	**16.1**	**28.8**	**71.2**	**161.4**	**327.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.0	1.3	5.1	3.3	4.4	4.9	12.6	32.1	63.5
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.7	1.0	2.1	1.8	2.4	3.7	6.5	14.9	41.1
All Other Sales Staff/Customer Relations Training	1.7	1.7	2.5	3.4	4.2	4.3	5.7	11.8	96.4
Sub-Total for Staff Sales/Customer Relations Training	**1.1**	**1.7**	**4.3**	**3.9**	**5.7**	**7.0**	**14.4**	**36.3**	**107.4**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	.7	10.9	7.8	4.3	8.4	11.0	14.9	65.5	227.3
Non-Salary Internal Expenses		6.5	1.1	1.4	1.5	1.9	5.9	13.2	139.7
All Other Marketing Research			.6	1.6	2.0	2.5	7.8	45.8	
Sub-Total for Marketing Research	**.7**	**11.7**	**8.5**	**4.0**	**7.2**	**10.3**	**18.4**	**76.4**	**287.1**
All Other Non-Salary Marketing Expenses	1.0	1.6	4.9	11.9	10.7	35.9	23.4	121.1	
Total Marketing Expenditures	**8.8**	**21.6**	**35.3**	**56.0**	**133.7**	**286.0**	**535.7**	**1762.9**	**6021.1**

TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .2	$ .5	$ 1.0	$ 1.0	$ 2.0	$ 5.0	$ 10.0	$ 30.0	$ 243.0
Directories (telephone, bank, city, etc.)	.5	1.0	1.0	1.2	2.9	5.0	8.0	18.0	39.0
Newspapers	1.5	2.5	5.0	7.6	16.0	39.8	85.3	200.0	1461.2
Television	1.0	2.0	2.0	3.0	13.0	29.4	40.4	201.0	720.6
Radio	1.0	2.0	3.7	8.0	14.9	23.5	35.6	100.0	390.0
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	.5	1.0	1.5	2.5	5.0	10.0	25.0	70.0	289.2
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	2.4	1.5	1.9	3.6	8.0	13.7	18.8	36.0	250.0
Production Expenses (artwork, talent, etc.)	.1	1.0	1.0	2.5	7.4	20.3	43.0	106.2	923.5
Fees & Commissions (advertising agency, media representative, consultants, etc.)	.5	1.5	2.7	4.0	9.1	15.0	29.6	95.5	300.0
All Other Advertising	1.0	1.4	3.0	4.0	6.3	10.0	18.0	60.0	50.9
Sub-Total for Advertising	**3.0**	**7.4**	**15.5**	**28.3**	**73.2**	**149.4**	**355.3**	**911.0**	**3731.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.6	1.0	1.0	1.5	3.7	13.2	20.0	75.0	245.0
Media Relations (press releases, press conferences, etc.)	.1	.5	.8	1.0	.9	1.0	2.4	5.5	10.2
Publications (community service publications, newsletters, etc.)	.5	.6	1.0	2.0	2.1	3.1	5.1	20.0	25.5
Special Events (seminars, anniversaries, open house, etc.)	1.5	1.5	1.2	2.0	4.0	6.5	14.0	25.0	50.0
Public Relations Consultants Fees		1.3	2.0	1.5	4.2	12.0	10.3	18.0	25.0
Donations (include donation advertising—schools, churches, civic clubs)	.9	1.5	3.0	5.0	8.2	14.2	26.9	69.2	87.0
All Other Public Relations	.4	1.9	2.8	4.1	5.1	9.6	10.0	23.4	50.0
Sub-Total for Public Relations	**1.2**	**3.2**	**6.1**	**10.8**	**22.8**	**46.0**	**90.5**	**178.1**	**487.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	.5	.5	1.2	1.4	4.3	4.9	6.1	19.9	3.5
Newcomer Services (non-salary only)	.2	.6	.8	.7	1.0	1.0	2.1	5.0	8.5
Specialties (giveaways, such as calendars, pens, etc.)	.9	1.5	2.0	4.0	6.0	8.0	10.0	17.2	30.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	.2	.5	1.0	1.0	3.0	5.0	23.3	50.0	100.1
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.2	1.0	1.0	2.0	3.0	5.0	10.8	16.9	30.0
All Other Sales Promotion Expenses	.2	1.0	2.0	2.4	3.2	4.7	9.2	12.0	8.2
Sub-Total for Sales Promotion	**1.0**	**2.0**	**3.5**	**5.8**	**13.5**	**23.0**	**47.0**	**84.1**	**200.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	.5	1.0	2.0	2.0	2.5	2.1	10.0	15.0	25.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.5	1.0	1.0	1.0	1.5	2.0	3.0	8.0	25.0
All Other Sales Staff/Customer Relations Training	.4	1.5	1.0	2.0	2.0	3.0	2.0	12.0	92.8
Sub-Total for Staff Sales/Customer Relations Training	**.5**	**1.5**	**2.0**	**2.4**	**3.0**	**4.0**	**12.0**	**22.5**	**81.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	.2	2.0	3.0	2.0	3.0	8.0	10.0	41.7	140.0
Non-Salary Internal Expenses		1.0	.8	.6	1.2	2.0	2.0	10.0	45.0
All Other Marketing Research			.5	1.0	.6	2.2	3.5	5.5	
Sub-Total for Marketing Research	**.2**	**1.0**	**2.4**	**2.5**	**3.0**	**7.0**	**15.3**	**53.0**	**140.0**
All Other Marketing Expenses	1.0	1.0	3.0	10.6	5.8	23.3	13.8	61.0	
Total Marketing Expenditures	**6.5**	**15.0**	**26.7**	**48.6**	**119.0**	**233.5**	**521.2**	**1420.2**	**4672.8**

TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1986 BY ASSET SIZE

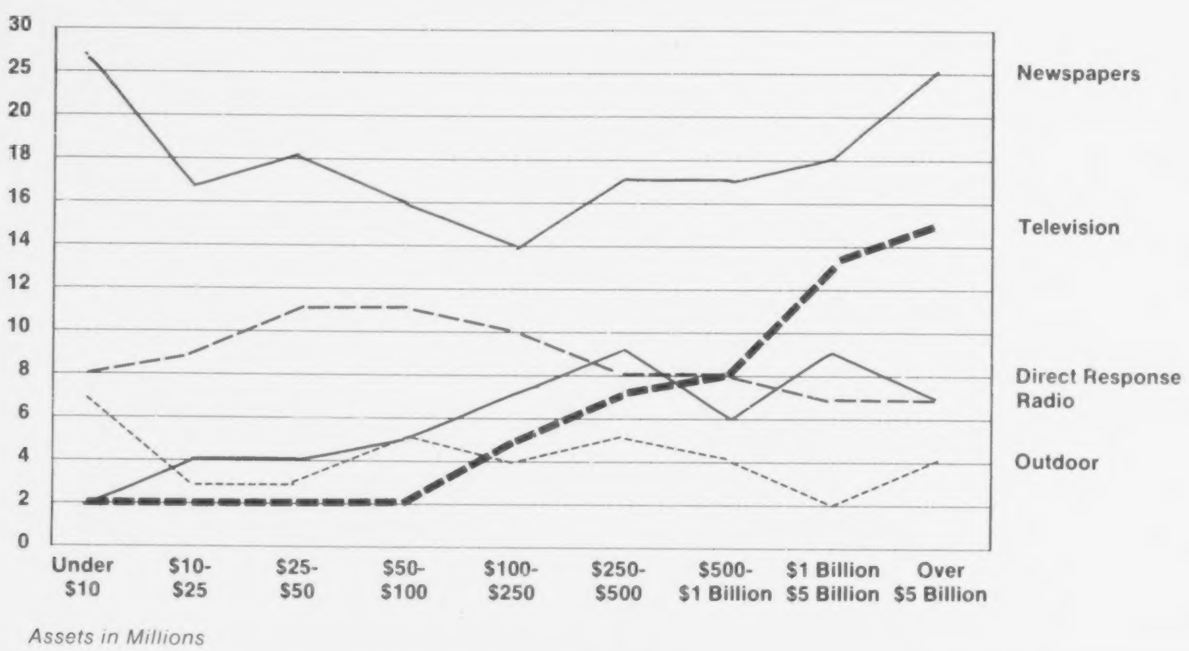
	Asset Size in Millions								
Expenditure Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
ADVERTISING									
Magazines (consumer, trade, etc.)	1%	1%	1%	1%	3%	2%	2%	3%	5%
Directories (telephone, bank, city, etc.)	6	15	3	2	3	2	2	1	1
Newspapers	27	17	18	16	14	17	17	18	25
Television	2	2	2	2	5	7	8	13	15
Radio	8	9	11	11	10	8	8	7	7
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	2	4	4	5	7	9	6	9	7
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	7	3	3	5	4	5	4	2	4
Production Expenses (artwork, talent, etc.)		2	2	4	7	8	10	9	10
Fees & Commissions (advertising agency, media representative, consultants, etc.)	1	2	5	5	5	4	6	6	5
All Other Advertising	2	3	3	3	3	3	2	2	1
Sub-Total for Advertising	**56**	**60**	**54**	**54**	**61**	**66**	**66**	**70**	**79**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	5	4	4	4	3	4	3	3	3
Media Relations (press releases, press conferences, etc.)	*	*	1	*	*	*	*	1	*
Publications (community service publications, newsletters, etc.)	1	1	1	2	2	1	1	1	1
Special Events (seminars, anniversaries, open house, etc.)	10	5	5	3	4	4	3	2	1
Public Relations Consultants Fees		2	2	*	1	*	*	1	*
Donations (include donation advertising—schools, churches, civic clubs)	11	7	9	11	9	6	6	6	5
All Other Public Relations	*	2	3	4	2	2	2	1	1
Sub-Total for Public Relations	**28**	**21**	**26**	**25**	**21**	**18**	**17**	**15**	**11**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	1	1	1	1	1	1	2	1	*
Newcomer Services (non-salary only)	1	*	*	*	1	*	*	*	*
Specialties (giveaways, such as calendars, pens, etc.)	9	6	7	8	5	3	2	2	1
Point-of-Sale Materials (displays, banners, brochures, etc.)	1	1	1	2	2	3	4	4	3
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1	1	2	2	2	2	3	2	1
All Other Sales Promotion Expenses	1	*	1	1	1	1	*	1	*
Sub-Total for Sales Promotion	**12**	**10**	**12**	**13**	**11**	**10**	**13**	**9**	**5**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1	1	2	2	1	1	1	1	1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2	1	1	1	*	*	*	*	*
All Other Sales Staff/Customer Relations Training	1	1	1	1	1	*	*	*	*
Sub-Total for Staff Sales/Customer Relations Training	**3**	**3**	**4**	**4**	**2**	**1**	**2**	**1**	**1**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	1	5	2	1	2	2	2	3	3
Non-Salary Internal Expenses		1	*	*	*	*	*	*	1
All Other Marketing Research			*	*	*	*	*	*	
Sub-Total for Marketing Research	**1**	**6**	**3**	**2**	**2**	**2**	**3**	**3**	**4**
All Other Marketing Expenses	*	1	1	3	1	2	1	2	
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)

Figure B



WHERE THE BUDGET IS SPENT

Table 4 shows the percentage of all **banks which are spending money** on each marketing function, in contrast to Table 3 which showed the **amount of money** spent on each function.

Under advertising, the medium used most often is newspapers, by 79% to 92% of community banks and by 96% to 100% of the larger banks. Radio also is used by a significant number — 44% of the smallest banks to 96% of the larger banks. As might be expected, directories also enjoy high usage, from 58% to 100% as the size of bank increases. Several media enjoy higher usage among larger banks: magazines, for example, increase from 16% to [illegible]4% in the largest; television increases from only 12% among the community banks to 78% to 88% of the largest banks. Direct response advertising is also widely used . . . about one half of the smaller and medium size banks increasing to 100% of the largest banks.

For public relations, 86% of the smallest banks reported expenditures, with the figure increasing to more than 95% of the middle range and larger banks. About three-fourths of all banks reported budgeting for donations, with 77% of smaller banks to 80% of larger banks reporting expenditures. Use of PR publications such as newsletters increases from 14% of smaller banks to about 50% of medium size banks, and increases to 63% among the largest banks.

Sales promotion expenditures were reported by 65% of the smallest banks and by 95% to 98% of the largest banks. The most frequently used category of sales promotion was specialties with 60% of smaller banks and 80% or more of larger banks reporting expenditures. Point-of-sale expenditures were reported by less than one-third of the smallest banks, but increased to more than three-fourths of the largest banks. Expenditures on employee incentives showed an increase over last year's survey. While only 9% to 31% of the smaller banks used them this year, 48% to 63% of the larger banks did. Premium expenditures were reported by less than 10% of the smallest banks, and by about 25% of the middle range banks, with the usage declining to 6% among the largest banks.

The percentage of banks spending money on staff sales/customer relations training remains about the same as in last year's study with about one-third of community banks and about one-half of the middle size to larger banks reporting expenditures. Usage increases to 63% among the largest banks. Budget expenditures for marketing research occurred in less than 10% of the smallest banks, one-half of the middle size banks, and occurred in more than three-fourths of the largest banks.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1986 BY ASSET SIZE

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	16%	16%	26%	32%	38%	58%	71%	82%	94%
Directories (telephone, bank, city, etc.)	58	72	66	77	86	89	95	92	100
Newspapers	79	92	92	93	94	96	96	98	100
Television	12	12	9	20	37	50	64	78	88
Radio	44	65	69	71	80	86	89	96	94
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	14	56	55	63	79	88	89	92	100
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	19	17	30	47	60	68	78	63	75
Production Expenses (artwork, talent, etc.)	2	27	33	47	74	87	93	98	81
Fees & Commissions (advertising agency, media representative, consultants, etc.)	7	19	30	36	52	60	78	78	63
All Other Advertising	16	19	24	30	34	37	40	41	50
Sub-Total for Advertising	**91**	**98**	**98**	**97**	**98**	**98**	**98**	**100**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	16	33	43	61	61	71	71	67	75
Media Relations (press releases, press conferences, etc.)	5	4	5	15	20	39	49	53	63
Publications (community service publications, newsletters, etc.)	14	29	38	41	54	50	73	59	63
Special Events (seminars, anniversaries, open house, etc.)	35	52	55	57	76	82	76	63	81
Public Relations Consultants Fees		6	7	5	9	8	22	43	38
Donations (include donation advertising—schools, churches, civic clubs)	77	79	87	95	89	90	89	84	63
All Other Public Relations	7	18	26	41	38	35	45	33	56
Sub-Total for Public Relations	**86**	**94**	**97**	**95**	**96**	**97**	**98**	**92**	**88**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	7	8	9	15	22	28	38	33	6
Newcomer Services (non-salary only)	12	9	9	20	29	32	27	22	31
Specialties (giveaways, such as calendars, pens, etc.)	60	70	70	82	84	82	84	82	81
Point-of-Sale Materials (displays, banners, brochures, etc.)	12	29	33	45	58	75	76	76	81
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	9	16	26	31	45	48	53	63	63
All Other Sales Promotion Expenses	7	4	5	11	17	21	15	29	25
Sub-Total for Sales Promotion	**65**	**79**	**76**	**89**	**95**	**96**	**95**	**98**	**94**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	7	13	16	27	34	33	40	43	63
Non-Salary Internal Expenses (development, printing, classroom, etc.)	19	16	14	24	28	37	36	39	38
All Other Sales Staff/Customer Relations Training	5	13	15	20	18	15	16	10	13
Sub-Total for Staff Sales/Customer Relations Training	**26**	**34**	**36**	**51**	**52**	**51**	**58**	**57**	**63**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	9	9	9	19	31	51	73	73	88
Non-Salary Internal Expenses		4	3	10	12	17	20	35	38
All Other Marketing Research			3	6	10	12	22	14	
Sub-Total for Marketing Research	**9**	**11**	**13**	**26**	**43**	**61**	**75**	**78**	**88**
All Other Marketing Expenses	2	8	9	13	16	17	25	29	
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGET BY MARKET SIZE AND TYPE

The following tables, 5, 6 and 7, show how marketing expenditures are affected by the population size of a market. The average expenditures for the 36 expenditure categories are shown in Table 5. Overall, the total marketing budgets were marginally lower than they were in 1985 in the three smaller markets, but increased somewhat in the category for markets of 1 million or more.

In the smallest markets, advertising expenditures were about the same as in 1985 ($39,000 vs. $40,000 in 1986). Public relations expenditures were the same for both years in the smallest markets, but increased somewhat over 1985 in the larger markets. They ranged from $15,600 in markets under 100,000 to $261,200 in markets of 1 million or more. Sales promotion expenditures were down slightly in most markets with the exception of those of 1 million or more where they decreased significantly — from $201,600 in 1985 to $145,600 in 1986.

The total marketing budgets for respondents based on market size are cross-tabulated by bank asset size in Table 6, and by the six types of markets in Table 7. When using either of these tables, take note of the sample size for each statistic you examine. For smaller samples, care should be taken in projecting the data to other environments.

Among respondents, 62% of the banks were in markets under 100,000; 24% in markets of 100,000 to 500,000, 4% in markets from 500,000 to 1 million, and 10% were in markets of 1 million or more.

Both Tables 6 and 7 can be helpful in identifying how population size and the type of market (rural, urban, statewide, suburban) influence a bank's marketing budgets. Both are useful in allowing the reader to compare their own bank budget and environment with those of responding banks. As an example, you could use Tables 6 and 7 to determine typical overall marketing budgets, then factor the data down for individual categories based on the detail provided in Table 5.

For example, consider banks of $200 million in assets. As shown in Table 6, their average marketing expenditure varies by the size of market: With 100,000 population, the average marketing expenditure is $117,800; in markets of 100,000 to 500,000 it is $142,200; in markets of 500,000 to 1 million it is 166,900, and in markets over 1 million, it is $248,300.

These tables can be useful both in preparing your own budget, and in estimating how much competitors in your market may be spending. But these figures should not be considered hard and fast absolutes. Your marketing plan, as described earlier in the section on "Budgeting for Bank Marketing" should take into consideration the factors of your marketplace such as size, available media and competition.

Even smaller banks (with small budgets) can compete successfully with larger institutions by seeking out opportunities in a special niche . . . such as serving smaller businesses, professionals, or by providing custom banking services to the wealthy, rather than by confronting the market head-on with a smaller budget. For example, the diversity of budgeting can be seen in Table 7, under the heading for urban banks in an SMSA. In markets of 1 million or more with those banks, some spend as little as $30,000 while others spend as much as $9,500,000, and the average is $1,516,000.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE

(All Reporting Banks - 1986, $000)

	Population Size			
Expenditure Type	**Under 100,000**	**100,000-500,000**	**500,000-1 Million**	**1 Million or More**
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 1.8	$ 8.0	$ 20.5	$ 114.2
Directories (telephone, bank, city, etc.)	2.9	6.0	8.9	23.5
Newspapers	11.7	40.9	79.4	464.1
Television	10.7	35.6	82.2	495.8
Radio	10.1	26.4	45.9	176.6
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	5.0	20.6	31.0	177.2
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	8.5	16.6	20.3	103.1
Production Expenses (artwork, talent, etc.)	8.5	28.3	45.8	201.3
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8.9	18.6	34.3	139.3
All Other Advertising	6.3	20.0	34.6	84.7
Sub-Total for Advertising	**40.0**	**156.1**	**254.6**	**1498.6**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	4.6	15.0	38.5	87.4
Media Relations (press releases, press conferences, etc.)	1.3	3.4	3.3	12.9
Publications (community service publications, newsletters, etc.)	2.9	7.6	8.8	27.8
Special Events (seminars, anniversaries, open house, etc.)	3.9	10.5	18.4	50.4
Public Relations Consultants Fees	7.3	9.7	14.1	28.8
Donations (include donation advertising—schools, churches, civic clubs)	7.6	18.4	51.6	123.4
All Other Public Relations	5.7	14.1	21.5	40.0
Sub-Total for Public Relations	**15.6**	**45.8**	**107.3**	**261.2**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	3.7	11.8	5.8	31.4
Newcomer Services (non-salary only)	1.6	4.3	8.8	10.6
Specialties (giveaways, such as calendars, pens, etc.)	5.3	9.2	12.0	35.7
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.1	10.0	20.5	89.2
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	3.5	14.8	24.5	43.5
All Other Sales Promotion Expenses	4.8	10.7	12.5	28.6
Sub-Total for Sales Promotion	**9.2**	**27.7**	**43.0**	**145.6**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	4.0	6.2	9.2	34.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1.9	4.0	6.7	16.5
All Other Sales Staff/Customer Relations Training	3.0	3.3	3.2	22.6
Sub-Total for Staff Sales/Customer Relations Training	**4.3**	**6.7**	**10.9**	**43.5**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	8.1	11.5	22.8	84.7
Non-Salary Internal Expenses	1.8	3.6	9.9	37.4
All Other Marketing Research	1.5	5.0	2.4	35.6
Sub-Total for Marketing Research	**7.1**	**11.7**	**24.7**	**103.6**
All Other Marketing Expenses	10.8	17.6	41.9	97.2
Total Marketing Expenditures	**66.5**	**236.3**	**418.8**	**1976.0**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

Population Size	Asset Size in Millions								
	Under $10	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Under 100,000									
Number of Reporting Banks	39	103	130	116	154	28	d		
Average Expenditure	**$ 8.4**	**$ 20.2**	**$ 31.9**	**$ 53.4**	**$117.8**	**$237.8**			
Minimum Expenditure	.8	1.0	1.0	6.0	17.9	77.3			
Maximum Expenditure	56.0	122.7	207.0	163.0	332.6	623.9			
Median Expenditure	**6.0**	**13.4**	**26.0**	**46.6**	**107.8**	**204.3**			
100,000 - 500,000									
Number of Reporting Banks	2	11	14	24	78	49	32	9	
Average Expenditure	**11.5**	**29.2**	**61.2**	**69.2**	**142.2**	**307.5**	**468.2**	**859.2**	
Minimum Expenditure	8.0	7.0	8.1	12.8	36.3	90.8	.8	390.8	
Maximum Expenditure	15.0	54.7	295.4	186.2	445.5	1364.0	928.6	1412.0	
Median Expenditure	**8.0**	**27.5**	**27.1**	**52.1**	**137.2**	**266.3**	**464.3**	**792.6**	
500,000 - 1 Million									
Number of Reporting Banks		4	2	2	7	11	8	5	
Average Expenditure		**21.5**	**72.6**	**42.0**	**166.9**	**293.8**	**640.8**	**1297.8**	
Minimum Expenditure		4.5	41.0	14.0	29.2	204.6	298.5	562.6	
Maximum Expenditure		48.0	104.3	70.0	295.5	498.5	1012.4	2055.1	
Median Expenditure		**13.3**	**41.0**	**14.0**	**184.5**	**232.8**	**505.9**	**1420.2**	
1 Million or More									
Number of Reporting Banks		d		4	13	9	11	34	15
Average Expenditure				**54.2**	**248.3**	**309.2**	**666.9**	**2073.3**	**5853.5**
Minimum Expenditure				24.5	20.0	75.0	273.3	414.0	1914.8
Maximum Expenditure				87.0	1441.5	661.0	1075.0	7156.1	13483.7
Median Expenditure				**30.0**	**121.3**	**238.0**	**692.4**	**1753.0**	**4672.8**

d — Disclosure. Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1986, $000)

	Market Type					
Population Size	State-wide	Urban SMSA	Suburban SMSA	Urban Not SMSA	Suburban Not SMSA	Rural
Under 100,000						
Number of Reporting Banks	4	43	59	72	49	334
Average Expenditure	**$ 54.3**	**$102.7**	**$103.2**	**$ 98.9**	**$ 72.5**	**$ 47.4**
Minimum Expenditure	9.1	7.5	1.0	9.0	1.8	8
Maximum Expenditure	154.5	420.5	408.9	623.9	546.7	373.0
Median Expenditure	**24.7**	**78.4**	**93.9**	**68.6**	**41.6**	**27.5**
100,000 - 500,000						
Number of Reporting Banks	4	79	69	25	22	14
Average Expenditure	**150.7**	**252.5**	**232.2**	**208.5**	**226.7**	**242.2**
Minimum Expenditure	8	13.6	8.0	7.0	15.4	27.1
Maximum Expenditure	401.0	1412.0	1062.0	1364.0	700.3	951.4
Median Expenditure	**41.1**	**169.0**	**179.6**	**148.9**	**126.0**	**156.1**
500,000 - 1 Million						
Number of Reporting Banks	5	12	14	3	4	
Average Expenditure	**1123.2**	**445.1**	**170.1**	**429.8**	**367.5**	
Minimum Expenditure	438.4	48.0	4.5	104.3	204.6	
Maximum Expenditure	2055.1	1772.0	562.6	679.3	818.9	
Median Expenditure	**950.5**	**271.3**	**70.0**	**505.9**	**218.4**	
1 Million or More						
Number of Reporting Banks	33	31	14	5	d	2
Average Expenditure	**3067.4**	**1516.4**	**1200.1**	**142.2**		**1128.8**
Minimum Expenditure	121.3	30.0	20.0	43.5		741.3
Maximum Expenditure	13483.7	9575.0	6206.0	334.3		1516.3
Median Expenditure	**2042.2**	**887.6**	**477.5**	**75.2**		**741.3**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

The respondents also are asked to indicate which types of services in their bank receive marketing support by specifying the percentage of their total budget allocated to each of the following:

A) Retail (to individuals)
B) Commercial/Corporate (to businesses)
C) Trust
D) Institutional

The average percentage of the budget allocated to each is shown in Table 8, by the nine asset categories. The percentage of banks actually spending money on each area is shown in Table 9.

Percentage Allocations

Among community banks, there was a slight shift in expenditures away from retail services, and a larger emphasis on commercial/corporate services during 1986. As shown in Table 8 and in the graph of Figure C, banks under $100 million, on average, spent 61% of their budget on retail services (compared to 65% in 1985), and 23% of their budget on commercial/corporate services (compared to 20% in 1985). While expenditures for retail services in past years tended to decrease somewhat as the size of the bank increased, that wasn't the case this year. For example, among smaller and middle range banks, about 60% of the total budget is allocated to retail, and the percentage increases to 61% to 64% among the largest banks.

Expenditures for commercial/corporate services decreased as the size of the bank increased this year, from a high of 27% for those banks between $25 million and $50 million in assets to a low of about 11.5% for all banks above $1 billion.

Trust marketing received increasingly larger amounts of the budget as the size of the bank increased, from a low of less than 1% for banks between $10 million and $50 million to a high of 7.4% for banks over $5 billion. Overall, banks over $100 million spent twice the proportion of their budget (5.6%) on trust as did banks under $100 million (2.6%).

Advertising for institutional services also increased with the size of the bank this year. Community banks' averaged expenditures of about 10.2% for institutional advertising, compared to 17.3% for the larger banks. Among medium asset size banks ($250 million to $500 million) and among the $1 billion to $5 billion banks, institutional expenditures averaged 20%. It can be assumed that in many cases these expenditures represent advertising and public relations activities related to name changes caused by mergers.

As shown in Table 9, the type of service promoted most often by banks is retail, which increased 67% among the smallest banks to nearly 100% of the banks between $1 billion and $5 billion.

Commercial/corporate services also are more likely to be marketed by larger banks than by smaller banks. The incidence ranges from 44% of the smallest banks to 86% of those banks between $1 billion and $5 billion.

While only 7% of the banks under $50 million reported expenditures for trust this year, from 56% to 73% of the larger banks reported trust marketing expenditures.

Fewer than one-third of the community banks reported expenditures for institutional marketing while up to 86% of the larger banks did. About one-half of the medium size banks reported institutional marketing expenditures this year.

Amount of Expenditures

In measuring the actual amount of money spent on each general type of service, it can be seen that the smallest banks spent $5,400, increasing to $77,000 to $159,400 among medium size banks, and to more than $3,413,000 at the largest banks (see Table 10).

Actual expenditures for commercial/corporate marketing ranged from $2,800 among the smallest banks to $787,000 among the largest banks.

Expenditures for trust marketing ranged from just over $1,000 among the smaller banks to $559,000 among the largest.

Institutional marketing expenditures were as low as $3,000 for banks with under $10 million in assets to more than $1,388,000 among the largest banks.

Table 11 shows the median marketing expenditures for retail, commercial/corporate, trust and institutional services. As would be expected, the median amounts are generally less than the average expenditures as reported in Table 10.

Table 12 shows how the average marketing expenditures for various types of services varies with the population size of responding banks' markets. Banks in the smallest markets (under 100,000) spent an average of $42,500 on retail services. The amount increased with the size of the market, to $132,000 for markets of 100,000 to 500,000 persons, to $276,000 for those of 500,000 to 1 million or more, and to $1,126,000 for those in markets of 1 million or more. As would be expected, larger markets tend to contain larger banks, hence the direct relationship between population and expenditures. Commercial/corporate expenditures increase with market size from $14,300 to $274,900; trust from $10,600 to $197,000, and institutional from $22,600 to more than $554,000.

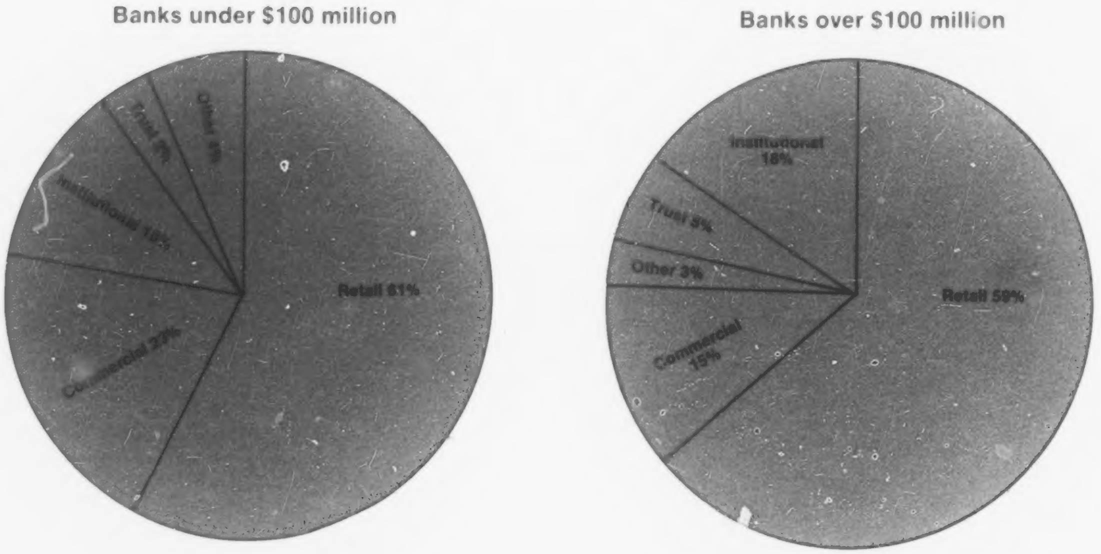
TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE IN 1986 BY ASSET SIZE

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	59.6%	65.6%	57.2%	59.3%	60.3%	53.3%	56.5%	61.1%	64.4%
Commercial/Corporate (business)	16.0	22.2	27.0	24.2	18.2	17.6	18.1	11.4	11.6
Trust	6.3	.7	.7	2.6	5.2	4.5	6.2	4.5	7.4
Institutional	7.9	9.6	11.5	11.9	14.6	20.1	16.9	20.0	15.1
Other	10.3	1.9	3.6	1.9	1.7	4.5	2.4	3.0	1.5
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Figure C



Banks under $100 million

Banks over $100 million

TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE IN 1986 BY ASSET SIZE

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	67%	81%	80%	82%	88%	92%	87%	100%	88%
Commercial/Corporate (business)	44	68	70	72	75	82	67	86	81
Trust	7	7	7	24	48	54	56	73	69
Institutional	21	28	29	49	59	78	71	86	69
Other	12	7	13	11	15	15	16	24	13
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 10
AVERAGE MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE

(All Reporting Banks - 1986, $000)

	Asset Size in Millions								
Service Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Retail Services (individuals)	$ 5.4	$14.8	$18.1	$34.7	$77.2	$159.4	$309.1	$1102.1	$3413.4
Commercial/Corporate (business)	2.8	6.7	12.3	15.3	27.7	56.3	112.0	226.6	787.5
Trust	—	1.3	2.2	4.4	12.6	20.5	52.7	98.3	559.0
Institutional	3.0	6.4	9.7	14.1	32.7	66.9	110.6	418.3	1388.4
Other	5.2	5.3	21.0	7.2	12.7	152.8	68.2	145.6	449.6

TABLE 11
MEDIAN MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE

(All Reporting Banks - 1986, $000)

	Asset Size in Millions								
Service Type	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Retail Services (individuals)	$ 4.8	$ 9.2	$14.0	$29.5	$67.2	$127.5	$261.2	$731.6	$2746.5
Commercial/Corporate (business)	1.6	2.9	7.4	10.0	18.2	37.5	96.4	109.7	834.1
Trust	—	9	1.5	4.0	9.1	11.9	27.3	67.4	546.3
Institutional	1.2	2.9	6.8	6.6	23.7	45.7	74.1	175.3	316.4
Other	6.2	1.0	5.8	7.3	7.8	58.1	40.0	79.3	106.9

TABLE 12
AVERAGE MARKETING EXPENDITURES BY SERVICE TYPE AND POPULATION SIZE

(All Reporting Banks - 1986, $000)

	Population Size			
Service Type	**Under 100,000**	**100,000-500,000**	**500,000-1 Million**	**1 Million or More**
Retail Services (individuals)	$42.5	$132.0	$276.7	$1126.4
Commercial/Corporate (business)	14.3	38.7	84.5	274.9
Trust	10.6	22.9	53.3	197.9
Institutional	22.6	64.1	85.9	554.8
Other	12.2	95.7	103.8	181.9

ADVERTISING EXPENDITURES FOR SPECIFIC SERVICES

For the first time, the "Expenditures Analysis" this year asked respondents to report on how much they spent advertising 14 specific services.

Respondents were asked to indicate the percentage of their advertising budget (not marketing budget) that was spent on each service. The percentages then were used in combination with their total advertising expenditures indicated on the questionnaire to derive the amount spent on each service.

Percentage Allocations

Table 13 shows the percentage of advertising budgets spent on each of the 14 services in 1986. The proportions are quite different for community banks as compared to larger banks. For example, while the smallest banks spent 10% or more of their advertising budgets on checking without interest, the rate of spending declines to less than 5% for the medium size banks, and to less than 3% for the banks over $1 billion.

Community banks also spent relatively more than the largest banks on regular savings accounts — about 5% of the budget was spent in the smallest banks, declining to less than 2% of the budget for the largest. They also spent relatively more on money market accounts (7.1% for the smallest compared to 2.7% to 5.1% among the largest).

Smaller banks also spent a higher portion of their budget on certificates of deposit (about 10% at the smallest banks, declining to 6.7% at the largest).

The ratios, however, were reversed for certain products, with the larger banks spending proportionately more than the smaller banks. For example, among the community banks, only about 4% or less of their ad budget was spent on automatic teller machines, while the percentage increases to 8.9% among the medium size banks and 7.0% among the very largest banks.

Similarly, spending for individual retirement accounts during 1986 was a significantly higher portion of the larger banks' budgets than the smaller banks'. It varied from 6.5% at the smallest bank, to about 14% at the medium size banks and to slightly more than 14% at the largest banks.

Spending for home equity loans also varied, with spending levels at about 2% of the smallest banks' budgets, but increasing to as high as 14.2% of the ad budgets in banks with $1 billion to $5 billion in assets.

TABLE 13
PERCENTAGE OF REPORTING ADVERTISING BUDGETS SPENT
(On Each Service by Asset Size)

Type of Service	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Checking (with interest)	10.7%	10.0%	7.9%	7.0%	4.2%	3.8%	4.7%	2.8%	1%
Checking (without interest)	9.4	9.4	8.4	5.6	3.6	4.8	3.3	3.8	10.0
Automatic Teller Machines	7	1.6	4.3	5.4	8.9	8.6	4.8	8.4	7.0
Regular Savings	5.3	6.4	4.9	3.4	2.5	1.5	1.9	7	1.8
Money Market Accounts	7.1	7.0	6.2	4.6	4.3	2.9	2.7	3.5	5.1
Certificates of Deposit	9.5	10.3	9.3	7.1	6.0	7.7	6.7	5.4	6.7
Individual Retirement Accounts	6.5	10.9	11.1	14.6	13.9	14.3	12.9	12.9	14.1
Installment Loans	9.6	11.2	12.8	13.3	12.7	10.3	11.1	13.4	6.6
Home Equity Loans	2.0	4.3	3.6	6.6	10.8	13.1	12.5	14.2	6.7
Other Credit Lines (overdraft checking)	3	1.0	1.8	2.2	2.9	2.4	3.0	1.3	1
Home Mortgages	2.3	7.5	7.0	8.4	6.9	3.8	11.3	4.0	7
Credit Cards	3	5	1.1	2.4	3.3	3.6	4.0	7.5	3
Commercial/Corporate Services	5.9	3.9	5.2	5.7	5.9	6.9	9.0	9.9	4.1
Trust Advertising	0.0	3	6	1.7	3.6	3.3	2.9	2.7	5.0
Other	30.3	15.6	15.3	11.8	10.6	13.3	9.7	9.9	30.8
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Trust advertising also increased significantly with size, from less than 1% for banks under $100 million to 5% for banks over $5 billion.

Certain products exhibited fluctuating spending levels with no direct correlation to bank asset size. For example, installment loans varied from 9.6% among the smallest banks, to 13.3% among the $50 million to $100 million banks, then declined again in the largest banks, to 6.6% of their advertising budget. Home mortgages accounted for 2.3% of the smallest banks' budgets, for about 6% of medium size bank budgets, but only .7% of the very largest banks' budgets.

The "other" category (probably institutional) also accounted for a significant portion of expenditures (highest among small banks at 30%, and lowest among larger banks, down to about 10%).

Credit card spending accounts for very small portions of the community banks' budgets (usually 1% or less), but increases to as much as 7.5% of the budgets in banks with $1 billion to $5 billion in assets.

Actual Expenditures

To learn the actual expenditures for each service, refer to Table 14. It shows both the average and the median advertising expenditure as computed for each of the 14 product categories. To use this table, simply locate the product you are studying, then read across to the proper asset size you are interested in. For each product, you will find two figures:

- Average advertising expenditure
- Median advertising expenditure

For example, consider automatic teller machines. In banks with $250 million to $500 million in assets, the average expenditure was $24,600, while the median expenditure was $16,800. As before, the median typically is lower than the average. Also note that because of the wide range of products listed, some banks reported no expenditures for certain categories, leaving the sample size relatively small in some cases.

TABLE 14
AVERAGE AND MEDIAN ADVERTISING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE

(All Reporting Banks - 1986, $000)

Type of Service	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Checking (with interest)	$.8	$1.9	$2.6	$3.4	$7.5	$23.8	$32.6	$112.9	$ 32.1
	.6	1.0	1.5	2.2	4.8	8.4	18.5	69.1	—
Checking (without interest)	.8	1.8	2.4	2.9	6.6	19.9	28.7	169.4	634.4
	.6	.9	1.7	2.2	5.1	9.9	8.9	76.3	447.7
Automatic Teller Machines	.9	1.5	2.5	3.9	9.8	24.6	24.2	133.8	531.0
	.5	1.1	1.9	2.9	6.6	16.8	13.3	67.4	329.0
Regular Savings	.6	1.2	1.7	2.2	7.5	11.6	22.8	113.3	169.9
	.3	.7	1.3	1.7	3.9	7.3	7.9	95.8	134.1
Money Market Accounts	.9	2.7	1.9	2.8	6.7	15.1	29.3	103.5	463.6
	.7	.7	1.3	1.8	4.7	8.4	17.2	76.3	438.7
Certificates of Deposit	.8	4.5	2.5	3.7	9.4	27.3	40.4	142.9	631.6
	.8	1.0	1.8	2.2	5.8	13.9	34.3	69.8	538.7
Individual Retirement Accounts	.7	2.3	2.4	4.8	11.4	25.9	53.9	141.6	627.0
	.5	.9	1.8	3.2	8.2	22.6	39.7	118.0	597.0
Installment Loans	.9	1.5	3.5	5.7	13.1	33.2	50.9	207.9	456.8
	.9	1.0	2.5	3.7	9.1	23.6	29.0	85.9	379.2
Home Equity Loans	.3	1.9	2.2	7.1	14.8	34.8	78.9	154.2	407.3
	.2	1.0	1.9	3.8	8.8	28.7	53.3	125.1	325.0
Other Credit Lines (overdraft checking)	.2	1.5	2.2	4.0	7.7	11.9	37.5	59.7	54.2
	.2	.6	1.6	1.8	3.9	7.3	24.6	42.9	—
Home Mortgages	.9	1.6	2.6	4.8	9.7	15.5	57.1	92.5	120.4
	.6	1.1	1.7	3.2	7.3	11.5	34.6	59.0	54.2
Credit Cards	.6	1.0	2.0	3.6	9.5	55.6	42.6	169.7	162.5
	.6	.9	1.3	1.6	5.6	11.5	31.6	83.9	—
Commercial/Corporate Services	.9	2.4	3.4	4.6	12.2	23.5	69.3	160.6	383.1
	.6	.9	2.0	3.1	6.2	12.8	36.6	69.8	219.4
Trust Advertising		1.5	1.7	2.3	5.9	20.2	22.7	56.9	283.8
		.4	1.2	1.7	4.0	8.2	15.3	33.0	218.6
Other	2.1	4.8	7.5	8.9	17.7	50.6	88.1	509.8	2213.6
	1.4	3.1	3.6	5.1	13.2	34.6	81.9	202.3	1448.6

■ Average ■ Median

TABLE 15
AVERAGE ADVERTISING EXPENDITURES BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1986, $000)

Type of Service	Population Size Under 100,000	 100,000-500,000	 500,000-1 Million	 1 Million or More
Checking (with interest)	$ 3.5	$13.5	$12.4	$ 93.5
Checking (without interest)	3.7	10.2	12.7	222.2
Automatic Teller Machines	7.5	19.9	29.1	176.8
Regular Savings	2.9	9.2	8.4	79.4
Money Market Accounts	4.1	9.5	24.6	111.6
Certificate of Deposit	5.2	18.0	27.0	174.7
Individual Retirement Accounts	6.7	25.0	52.9	171.7
Installment Loans	6.7	28.1	65.5	197.4
Home Equity Loans	9.8	34.6	51.0	173.5
Other Credit Lines (overdraft checking)	5.1	13.3	22.3	50.8
Home Mortgages	5.3	20.3	37.2	84.4
Credit Cards	6.6	36.1	46.8	157.7
Commercial/Corporate Services	5.7	18.6	52.5	141.2
Trust Advertising	4.8	17.2	30.2	100.3
Other	11.6	54.9	77.2	711.2

Tables 15 and 16 provide further information on expenditures for various services. In Table 15, the amount spent on each service is shown for markets with four different population ranges. For example, the average annual bank advertising expenditure for home equity loans in markets of 100,000 to 500,000 is $34,600.

Table 16 shows the percentage of banks which advertised each type of service last year. For example, among banks with $350 million in assets, 60% advertised home equity loans. The data from these four tables, in combination with information from other tables, can help illustrate the amount of money which banks are spending and the relative emphasis they are placing on various products.

TABLE 16
PERCENTAGE OF REPORTING BANKS ADVERTISING
(Each Service in 1986 by Asset Size)

Type of Service	Asset Size in Millions Under $10	 $10-$25	 $25-$50	 $50-$100	 $100-$250	 $250-$500	 $500-$1 Billion	 $1 Billion-$5 Billion	 $5 Billion or More
Checking (with interest)	44%	52%	54%	47%	36%	29%	36%	41%	6%
Checking (without interest)	35	46	55	45	30	39	35	31	38
Automatic Teller Machines	5	10	27	36	53	59	56	67	44
Regular Savings	30	42	43	33	25	22	27	10	19
Money Market Accounts	33	45	49	41	38	33	31	33	19
Certificates of Deposit	37	51	56	45	40	42	47	51	25
Individual Retirement Accounts	37	57	69	73	72	80	69	80	50
Installment Loans	40	56	58	64	60	54	67	69	38
Home Equity Loans	9	20	27	29	46	60	55	71	38
Other Credit Lines (overdraft checking)	5	9	15	15	21	28	31	24	6
Home Mortgages	9	34	41	45	43	40	53	45	13
Credit Cards	2	7	11	15	24	29	33	61	6
Commercial/Corporate Services	14	22	30	32	37	49	40	61	31
Trust Advertising		2	7	18	36	37	38	45	44
Other	33	26	34	34	33	39	38	33	38

USE OF ADVERTISING AGENCIES

The "Expenditures Analysis" also tracks responding banks' usage of advertising agencies, and how they compensate their agencies. The two pie charts shown here illustrate the influence that bank size has on the usage of agencies. Among those banks with less than $100 million in assets, about 76% currently rely on bank staff as their primary source of creating advertising, up marginally from 74% last year. Eighteen percent rely on advertising agencies, 4% on their holding company, and about 2% use other methods, such as relying on the media to produce their ads, or freelance services.

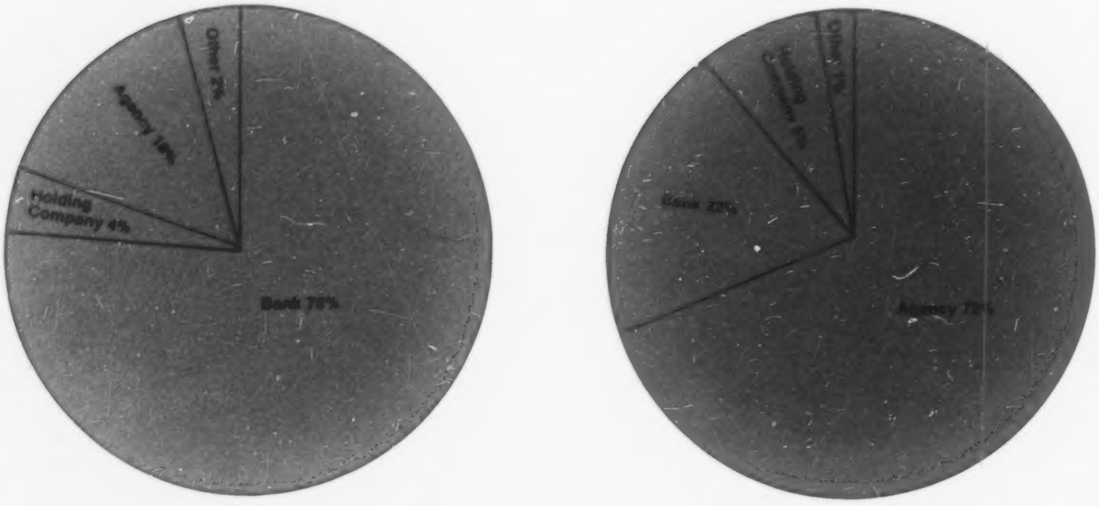
Among larger banks, of course, agency usage is quite pronounced with 72% using them, 22% relying on bank staff, 5% on holding companies and 1% relying on other sources. As shown in Table 17, the use of bank staff for advertising declines from a high of 95% among the smallest banks, to only 8% to 13% for those over $1 billion. Use of holding companies does not vary significantly based on bank size — among the smallest banks about 2% use a holding company while about 4% to 7% of the larger banks do.

The influence of a bank's market size on agency usage is shown in Table 18. For banks in the smallest markets (under 100,000) 27% use an outside agency. But in markets over 1 million, 80% of banks use an agency. Holding company usage for advertising declines from 5% in the smallest markets to only 3% in the largest markets.

Similarly, Table 19 shows how the type of market influences agency usage. In statewide markets, 79% of the responding banks used an advertising agency. The usage, however, declines in urban markets to 58%, in suburban to 50% and in rural markets to 23%.

SOURCE FOR CREATING ADVERTISING

Figure D



Banks under $100 million

Banks over $100 million

TABLE 17
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING IN 1986

Primary Source	Asset Size in Millions Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	95%	77%	71%	61%	47%	24%	20%	8%	13%
Used Holding Company Staff	2	5	6	5	6	7	7	4	
Used Outside Agency		17	21	32	43	66	73	88	87
Other	3		2	2	4	3			
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 18
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

Primary Source	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	66%	34%	38%	14%
Used Holding Company Staff	5	8	3	3
Used Outside Agency	27	55	59	81
Other	2	3		2
Total	100%	100%	100%	100%

TABLE 19
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

Primary Source	State-wide	Urban SMSA	Suburban SMSA	Urban Not SMSA	Suburban Not SMSA	Rural
Used Bank Staff	17%	33%	41%	49%	59%	71%
Used Holding Company Staff	4	7	7	8	7	4
Used Outside Agency	79	58	50	41	33	23
Other		2	3	3	1	2
Total	100%	100%	100%	100%	100%	100%

TABLE 20
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1986
(Banks Which Use Agencies)

Compensation Type	Asset Size in Millions Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only	—	80%	73%	57%	59%	38%	36%	34%	23%
Media Commissions Only	—	5	7	2	1	4	5	10	31
Both Fees and Commissions	—	15	20	40	40	57	59	56	46

TABLE 21

AVERAGE EXPENDITURE FOR FEES AND COMMISSIONS AT AN OUTSIDE ADVERTISING AGENCY

(All Reporting Banks - 1986, $000)

	Asset Size in Millions								
Compensation	**Under $10**	**$10-$25**	**$25-$50**	**$50-$100**	**$100-$250**	**$250-$500**	**$500-$1 Billion**	**$1 Billion-$5 Billion**	**$5 Billion or More**
Number of Reporting Banks	—	2	6	17	37	37	20	21	3
Average Expenditure	—	$1.8	$20.6	$17.7	$22.2	$50.2	$91.6	$206.1	$1020.0
Median Expenditure	—	1.5	20.0	11.0	20.0	34.7	56.1	120.0	660.0

Compensation Method

This survey also tracks the method which agencies use to compensate their advertising agencies. Several factors influence compensation method including the size of the bank, the size of market and the type of work and bank needs versus what they can produce in-house (Table 20).

Banks which indicated in the survey that they used an advertising agency also were asked to describe which of the following methods they used to compensate their agency:

- Fees only
- Media commissions only
- Both fees and media commissions

Use of the fee system is highest among the smaller banks, ranging from 80% of those under $25 million in assets to 59% among those with $100 million to $250 million in assets. Use of the 'fees only' system, however declines from 38% of those banks from $250 million to $500 million to only 23% of the very largest banks. The high usage of a fee compensation system among community banks probably exists because of the smaller commissionable media budgets they have. In effect, the small size of their media budget does not usually allow for adequate compensation for the agency based on a standard commission.

Use of media commissions, however, does increase as the asset size of the bank increases. For example, Table 20 shows that commission compensation is used at 5% of the smallest and medium size banks, but increases sharply to more than 30% of the largest banks.

The most popular method overall, however, is a combination of both fees and commissions, especially among the larger banks. In the community banks, 15% to 40% use both fees and commissions, while in the largest banks this combined compensation increases to as high as 59% of the banks with $500 million to $1 billion in assets and to 46% among the banks with more than $5 billion in assets.

Amount of Compensation

Banks which said they use an agency also were asked how much they pay them on an annual basis. They were asked to include fees paid for creative, supervisory and account management time, but to exclude production expenses such as typesetting and artwork, and research or public relations fees.

The results are shown in Table 21, with both the median and average responses. It should be noted that there are differences in the responses to this question and the data presented earlier in this report. For example, Tables 1 and 2 include a line under "Advertising" for "Fees and Commissions" which will differ from the amounts in Table 21. The difference occurs because Tables 1 and 2 include data for all banks, encompassing not only those which used an outside agency as their primary source of advertising, but also those which used an agency on a project or freelance basis and might have produced other materials in-house or through a holding company. Thus, it is logical that the smaller group of agency-only users in Table 21 would report different amounts.

To determine the average expenditure for fees and commissions at an outside agency, simply identify the desired bank asset range and read the data contained in that column. For example, a $200 million bank typically averages $22,200 for fees and commissions. The median expenditure level in this asset range is quite similar at $20,000.

Also, be aware of the influence which the number of banks responding in any category has on the expenditure levels, especially in the smallest asset ranges and note that fees and commissions are combined to report total compensation. Average compensation levels range from only $1,800 in the smallest banks to $1,020,000 in the largest. Median compensation levels range from $1,500 among the smallest to $660,000 among the largest.

TABLE 22
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1985/1986 BY ASSET SIZE

(All Reporting Banks - 1986, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1986 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	43	122	148	148	258	103	55	49	16
Average Expenditure	**$ 8.8**	**$ 21.6**	**$ 35.3**	**$ 56.0**	**$133.7**	**$286.0**	**$535.7**	**$1762.9**	**$6021.1**
Minimum Expenditure	8	1.0	1.0	6.0	17.9	75.0	8	390.8	1914.8
Maximum Expenditure	56.0	122.7	295.4	186.2	1441.5	1364.0	1075.0	7156.1	13483.7
Median Expenditure	**6.5**	**15.0**	**26.7**	**48.6**	**119.0**	**233.5**	**521.2**	**1420.2**	**4672.8**
1985 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	26	85	113	119	210	79	43	38	6
Average Expenditure	**$ 7.7**	**$ 16.1**	**$ 31.4**	**$ 53.0**	**$118.9**	**$284.5**	**$635.9**	**$1534.5**	**$5380.7**
Minimum Expenditure	2	1.0	1.3	5.0	15.0	70.0	37.1	260.0	3500.0
Maximum Expenditure	86.0	80.4	230.0	180.0	350.00	2000.0	5500.0	6517.0	8534.9
Median Expenditure	**4.0**	**15.0**	**25.0**	**50.0**	**106.9**	**233.8**	**501.0**	**1237.8**	**4000.0**

Table 22 provides a comparative look at banks' expenditures for both 1985 and 1986. It should be noted that the expenditure figures reported in this table for 1985 are those indicated by respondents on this year's questionnaire and are not taken from last year's "Expenditures Analysis." Each table shows the number of banks responding, along with the average expenditure, the minimum and maximum expenditure, and the median expenditure to provide a composite picture of two years' expenditures for banks in each of the nine asset ranges.

The statistics show increases in the average expenditure level for banks in all asset ranges, with the minor exception of banks in the $500 million to $1 billion category. Note also that the median expenditure in that category did increase in 1986. The statistics also show increases in the median expenditure level between 1985 and 1986 in all asset categories except in two which stayed about the same (those banks with $10 million to $25 million in assets and those with $250 million to $500 million in assets), and in one ($50 million to $100 million) where the median expenditure declined slightly from $50,000 to $48,600.

Total Industry Expenditures

While it would be possible to make estimates from this data on what the banking industry at large spends on marketing, there are a number of limiting biases. The number of banks in each asset range changes annually. Further, responding banks, as mentioned earlier, may not make expenditures typical of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.

Confidential Study
Of Bank Marketing Expenditures

BANK MARKETING ASSOCIATION

An affiliate of
American Bankers
Association

INSTRUCTIONS FOR COMPLETING FORM

- Enter data in thousands (Ex. $7,400 = 7.4) (Ex. $74,000 = 74.0) (Ex. $7,400,000 = 7,400.0).
- Please try to indicate an amount (if any) for each of the A through E bold subtotal lines, even if you don't have data for all the items within that category.
- If no expenditure was made in a category, indicate "0".
- If your bank is part of a holding company, please report only your bank's figures.
- If you have questions, call Linda Coleman at BMA, 312/782-1442.

Part I. U.S. BANK MARKETING EXPENDITURES (excluding salaries)

Please allocate your 1986 non-salary marketing expenditures as best you can among the following:

(Enter in thousands)
(Ex. $7,400 = 7.4)

A. ADVERTISING

1. Magazines (consumer, trade, etc.) .... $ ______
2. Directories (telephone, bank, city, etc.) .... ______
3. Newspapers .... ______
4. Television .... ______
5. Radio .... ______
6. Direct Response (direct mail literature, lists, postage, stuffers, telemarketing) .... ______
7. Outdoor and transit (billboards, taxi/bus, train cards, etc.) .... ______
8. Production expenses (artwork, talent, printing, filming, etc.) .... ______
9. Fees and commissions (advertising agency, media representative, advertising/marketing consultants, etc.) .... ______
10. All other advertising (please describe) ______ ______

A) Sub-Total for Advertising $ ______

B. PUBLIC RELATIONS

1. Stockholder/investment community (annual report, meetings, etc.) .... $ ______
2. Media relations (press releases, press conferences, etc.) .... ______
3. Publications (community service publications, newsletters, etc.) .... ______
4. Special events (seminars, anniversaries, open house, etc.) .... ______
5. Public relations consultants fees .... ______
6. Donations (include donation advertising — schools, churches, civic clubs & related publications) .... ______
7. All other public relations (please describe) ______ ______

B) Sub-Total for Public Relations $ ______

C. SALES PROMOTION

1. Net premium expense (cost of premiums less revenues from premium sales) .... ______
2. Newcomer services (non salary only) .... ______
3. Specialties (giveaways, such as calendars, pens, etc.) .... ______
4. Point-of-sale materials (displays, banners, brochures, etc.) .... ______
5. Employee incentives (non salary expenses directly related to employee sales/customer relations efforts) .... ______
6. All other sales promotion expenses (please describe) ______ ______

C) Sub-Total for Sales Promotion $ ______

D. STAFF SALES/CUSTOMER RELATIONS TRAINING

1. External expenses (consultant fees, materials, facilities, etc.) .... ______
2. Non-salary internal expenses (development, printing, classroom, etc.) .... ______
3. All other staff sales/customer relations training (please describe) ______ ______

D) Sub-Total for Staff Sales/Customer Relations Training $ ______

E. MARKETING RESEARCH

1. External expenses (supplier expenses such as consultants, field firms, data processing firms, etc.) .... ______
2. Non-salary internal expenses .... ______
3. All other marketing research (please describe) ______ ______

E) Sub-Total for Marketing Research $ ______

F. ALL OTHER NON-SALARY MARKETING EXPENSES NOT ACCOUNTED FOR IN A—E ABOVE (use a zero if none) $ ______

Total 1986 Non-Salary Marketing Expenditures (Sum of A—F above) $ ______

(Please complete Side Two)

Part II. SERVICE ALLOCATION OF 1986 NON-SALARY MARKETING EXPENDITURES

Please indicate the approximate percentage amount of your total marketing budget allocated to each of these five categories:

______% Retail (individuals)
______% Commercial/corporate (Business)
______% Trust
______% Institutional
______% Other (Specify ______)
__100__% **Total**

Part III. GENERAL INFORMATION (Place a single check under each question)

A. What were your bank's total assets as of December 31, 1986?

- ☐ Under $10 million
- ☐ $10 million but less than $25 million
- ☐ $25 million but less than $50 million
- ☐ $50 million but less than $100 million
- ☐ $100 million but less than $250 million
- ☐ $250 million but less than $500 million
- ☐ $500 million but less than $1 billion
- ☐ $1 billion but less than $5 billion
- ☐ $5 billion or more

B. For retail business, what best describes the kind of market in which your bank competes? (check appropriate response; note: SMSA = Standard Metropolitan Statistical Area)

- ☐ Statewide
- ☐ SMSA — Urban
- ☐ SMSA — Suburban
- ☐ Urban but not SMSA
- ☐ Suburban but not SMSA
- ☐ Rural (none of the above)

C. What is the approximate population of your retail trade area checked in B above? (check appropriate category)

- ☐ Under 100,000
- ☐ 100,000 but less than 500,000
- ☐ 500,000 but less than one million
- ☐ One million or more

D. Please indicate the approximate Total 1985 Non-Salary Marketing Expenditures for your bank (in $000)

$ ______ (in $000) = 1985

Part IV. PRODUCT INFORMATION

Please indicate the approximate percentage of your advertising budget which your bank allocated to each of the following services in 1986. Please enter data in percentages:

(Ex. 30 per cent = 30)

Checking (with interest)	______%	Home Equity Loans	______%
Checking (without interest)	______%	Other Credit Lines (overdraft checking)	______%
Automatic Teller Machines	______%	Home Mortgages	______%
Regular Savings	______%	Credit Cards	______%
Money Market Accounts	______%	Commercial/Corporate Services	______%
Certificates of Deposit	______%	Trust Advertising	______%
Individual Retirement Accounts	______%	Other (______)	______%
Installment Loans	______%	**Total**	100 %

Part V. AGENCY COMPENSATION

A. Which one of the following was the bank's primary source for creating advertising during 1986?

- ☐ Used bank staff (End Survey)
- ☐ Used holding company staff (End Survey)
- ☐ Used outside agency (Go to Question B.)
- ☐ Other (specify) ______

B. (Answer only if you indicated use of an outside agency above). Please indicate which one of these methods you used to compensate your agency in 1986:

SELECT ONE

1. ☐ Both Fees & Commissions
   Estimate total paid in 1986:
   ______ (in $000)
2. ☐ Only Media Commissions
   Estimate total paid in 1986:
   ______ (in $000)
3. ☐ Only Fees
   Estimate the fees you paid your agency in 1986 for creative, supervisory and account management time. Exclude production expenses such as typesetting and artwork and exclude other services such as research or public relations.
   Estimate fees paid in 1986:
   ______ (in $000)

BANK MARKETING ASSOCIATION

Thank you for your responses. They are very important to the study. Please return this questionnaire in the enclosed postage-paid envelope. You need not identify yourself or your bank. Your answers will remain completely confidential.

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